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MAJOR PROBLEMS OF UNITED STATES FOREIGN POLICY

1947

A Study Guide

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MAJOR PROBLEMS OF UNITED STATES FOREIGN POLICY

1947

A Study Guide

Prepared by the Staff of
THE INTERNATIONAL STUDIES GROUP
of
THE BROOKINGS INSTITUTION
WASHINGTON, D. C.

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PREFACE

The Brookings Institution recently inaugurated a broad program of research and education in the field of international relations. The new program is focussed on the current foreign policies of the United States, and the general approach is to analyze and interpret the major problems that arise in connection with these policies. In this respect, the program is a logical development of the Institution's earlier efforts in the international field, for it has always been its policy to select for investigation and study problems that have a direct bearing on the national interests of the United States and on American policies and actions in foreign affairs.

In undertaking the new program, the Brookings Institution has two objectives: to aid in the development of an informed and responsible American public opinion on foreign policy; and to aid in the training of the increasing number of American specialists in international relations that are required today in the government, in business and other agencies operating abroad. The Institution hopes to play a part in meeting this second objective by providing a type of analysis of major current problems in international affairs, which is not usually found in textbooks and treatises.

This Study Guide is the first publication in the educational part of the program. It is designed primarily for use in institutions of higher learning, but it can also be employed as a basis for group discussions, as an aid to writers and public lecturers, and for similar purposes. It is hoped that in these ways the Guide will contribute to a more realistic training in international relations and will stimulate informed and independent judgments on the foreign policies of the United States.

The manner in which this volume was prepared illustrates certain distinctive features of the program. First, the Study Guide is a joint effort of the entire staff of the Institution's International Studies Group under the direction of Leo Pasvolsky. The Director and the principal members of the staff collaborated in the analyses contained in Parts I, II, and III, the material having been initially prepared by Ruth B. Russell and John F. Gange. In Part IV, the problem paper on the German peace settlement was prepared by Robert W. Hartley and Redvers Opie; the paper on American economic assistance to Europe by William A. Brown, Jr.; the paper on the problem of China by Joseph W. Ballantine; and the paper on the international control of atomic energy by Rear Admiral Charles J. Moore, USN (Ret.) and George L. Millikan. The lists of selected documents were prepared by Helen M. Reed. Jeanette E. Muther, Mary Jo Dolbey, Suzanne Green, and Edna M. Birkel rendered general services in connection with the volume as a whole.

Second, in order to provide an additional background of specialized knowledge and practical experience, co-operation was obtained from a number of teachers of international relations in universities and colleges throughout the country and of government officials and others professionally and practically concerned with foreign affairs. In preliminary form the materials contained in the Study Guide were reviewed by a small group of teachers and government officials at two meetings, one held in February 1947 at the Brookings Institution and a second at the University of Virginia in June 1947. The materials were revised and enlarged and then presented as the basis for discussion at the Brookings Seminar on Problems of American Foreign Policy, held at Dartmouth College in August 1947. Following the discussions at the Seminar, the materials were again revised prior to publication in this volume. The Institution is deeply appreciative of the constructive criticisms and suggestions made by those who participated in the various meetings held in connection with the preparation of the volume.

The activities in connection with the preparation of the Study Guide and the conduct of the Seminar were financed by the Carnegie Corporation of New York. The volume was based on the results of the broader research activities undertaken primarily with the aid of a special grant of funds from the Rockefeller Foundation. Grateful acknowledgment is made of the assistance given by these institutions.

A new Guide will be prepared and published annually just before the opening of the academic year. While the basic technique will doubtless remain essentially the same from year to year, the contents of the volume will change with the course of current history and the resultant shifts in the issues and problems confronting the United States. Moreover, because of the swiftly moving tide of current events, the Guide will be supplemented monthly during the academic year by a "Summary of Developments in Major Problems of United States Foreign Policy."

HAROLD G. MOULTON
President

INTRODUCTION

This Study Guide presents an analysis of the current major problems of United States foreign policy in a form approximating that used by responsible officials of the government as a basis for the formulation of general and specific foreign policies. Its principal purpose is to provide a framework for the study of these problems in a manner similar to that in which current issues are dealt with by the government. As an aid to the teaching of international relations, the volume is designed to furnish working materials that may be used to acquire an appreciation of the nature of the policy-making process and an awareness of the habits of thought and the method of analysis required by it.

The need for more realistic training in international affairs and for more adequate presentation of current materials in a form that will contribute effectively to this end has been increasingly recognized in recent years by both government officials and teachers. The growing complexity of the international problems that the United States must face, the development within the government of new facilities for research and analysis, and the necessity to staff an increasing number of agencies dealing with foreign policy problems, have all created a demand for greater numbers of specialists in international relations. During the war, the government's demand for such specialists was partly met by recruiting members of college and university faculties. As a result, the contribution that university background and experience can bring to the new problems became more fully appreciated within the government. At the same time, the teachers entering the government service found it necessary to adapt their specialized knowledge to the requirements of the policy-making process. With the return of these temporary government officials to their educational activities, the teaching of international relations was enriched by a wealth of experience, which is already having a marked effect on the character of the training facilities offered by our institutions of higher learning. But there is a widespread recognition of the need for further enlargement and improvement of these facilities in order to meet the increased requirements of continuing recruitment of specialists in foreign affairs by the government, by private agencies, and by international organizations. The ideas that led to the development of the approach in teaching and training methods embodied in the Study Guide grew primarily out of this situation.

Since the colleges and universities of the country provide the greatest reservoir of potential specialists in foreign affairs, it is clear that if students are given some training in the policy-making process while they are perfecting their general and specialized knowledge, they will be more adequately prepared for participation in the conduct of foreign relations. The primary responsibility for the training rests, of course, with the members of the college and university faculties who must themselves be constantly aware of the nature of the policy-making process. Teachers who have served in the government have had an opportunity to familiarize themselves with the process, but there are a great many who have not had this experience. It is highly important, therefore, that there be developed some forms of continued collaboration between teachers and government officials dealing with foreign affairs as a means of enabling the teachers to refresh their own approach.

An experiment along these lines was undertaken by the Institution in arranging the Brookings Seminar on Problems of American Foreign Policy, held at Dartmouth College in August 1947. The participants included teachers, other specialists in various fields of international relations, business men, government officials, and officers of the armed services. The variety of background and experience of the participants contributed to constructive and fruitful discussions of current problems.

The Seminar served a dual purpose. It provided the participants with an opportunity for a stimulating exchange of views, and it tested the feasibility of reproducing, outside the government, the type of discussion that takes place in the government in the formulation of foreign policies. This type of discussion in the classroom is the heart of the teaching method that the Study Guide is intended to promote. A report summarizing the proceedings of the Seminar can be obtained by writing to the Brookings Institution.

The Study Guide itself, which is based on the papers discussed at the Seminar, offers an opportunity for both the teacher and the student to approach the problems of foreign relations from the standpoint of a technique actually employed in the government. This is not meant to imply that the use of the Study Guide can supplant the materials and methods normally used in college and university work. The Guide has not been prepared as a textbook, in the usual sense of that term. It is designed to supplement materials already in use, and to help to focus knowledge already acquired or in the process of being acquired.

While the materials presented in this volume are primarily intended for use in college and university training, they may also prove to be useful outside the classroom. Study and discussion groups may find this volume useful in providing ideas or methods for stimulating greater awareness among the general public of the problems of foreign relations. Since the nature of our political system is such that all governmental decisions are subject to scrutiny by the people, it is urgently necessary that the public form intelligent judgments in supporting or opposing the actions of the government. A better public understanding of the complexities of policy-making should contribute greatly to the formation of such judgments.

The technique of study of the problems of United States foreign policy embodied in the Study Guide attempts to place the users of it in the position of a group of government officials who must keep in mind the entire field of international relations in discharging their responsibilities to make recommendations on specific issues and problems of policy to the highest officials of the government. To illustrate this technique, the volume opens in Part I with a brief description of the broad world picture in the autumn of 1947. No attempt has been made to be specific or exhaustive. This Part has been deliberately kept broad, general, and highly selective, since it is designed to give an over-all view of the world situation. The choice of the elements in the broad world picture and the relative emphasis given to them rest, of course, on the judgment of the authors of this volume.

Part II of the Guide is somewhat more specific. It is an attempt to set forth the position of the United States in relation to the broad world picture. It presents, in a sense, a balance sheet, for it analyzes the elements of strength and of weakness in the position of the United States as they bear on the problems of foreign policy. This treatment is considered essential, since the policies that the United States can adopt at any given time are directly conditioned by the extent of its power to make them effective; and its power in any given situation is a result of balancing strength against weakness. The analysis contained in this Part also rests upon the judgment of the authors of the volume.

Part III of the Guide is still more specific in that it treats the major issues and problems facing the United States in the autumn of 1947, which derive from the general world situation and from the place of the United States in that situation. It sets forth the nature of each issue and problem and indicates briefly the circumstances that have caused that particular issue or problem to emerge; its importance to the United States; and, where necessary, its relation to other phases of foreign relations or policy. There may be disagreement with the selection made here. Users of the Guide may feel that some pressing problems are not included, or that some of those set forth are not pressing. The selection represents the judgment of the staff of the International Studies Group of the Institution on the problems that are of major importance at this time. Hence, in some cases, problems have been omitted, not because they are considered unimportant, but because they do not appear as yet to have presented issues that appear to require immediate decision.

Part IV of the Guide contains four problem papers that are intended to illustrate the type of data and analysis required in preparing material for policy determination with respect to each of the problems set forth in Part III. The subjects were chosen from among the most important of these problems. In these papers, the analysis stops short of the final step in policy formulation—the selection and recommendation of a preferred solution. In the policy-making process as used in the government, this involves an additional paper that has not been included in the Study Guide. This so-called "policy paper" usually includes a condensed summary of the main facts and of the conclusions drawn from the facts, followed by a recommendation of a "preferred solution," that is to say, the presentation of a specific course of action for the policy officer to approve or disapprove. Users of the Study Guide might find it desirable at some stage to carry the analysis to the end result of a policy recommendation. The reasons for the omission of policy recommendations from this volume and the method used in the preparation of the problem papers are described in the introductory statement in Part IV.

Lists of selected documents are appended to the Guide to facilitate its use. The arrangement of these lists has been keyed to Parts III and IV of the Guide, and particular emphasis has been given to the official documents and reports that constitute the primary sources in studying the current foreign policies of the United States.

While background elements of the type described in Parts I, II, and III of the Guide need to be given due consideration by officials in judging the line of action that the United States should follow in any particular situation, most of them are so familiar to government officials regularly concerned with foreign policy matters that there is seldom any need to formulate them in written form. Any fundamental change, however, either in the condition of the world or in the factors governing the achievement of our stated objectives, may alter the situation sufficiently to require a re-examination of the background elements. This examination may lead to a corresponding adjustment in policy objectives or, more often, in the specific policies by which it is sought to attain those objectives. These are the occasions on which new broad "doctrines," policies, or objectives are formulated. But the more usual decisions on specific problems in the government's day-to-day relations with other nations are made on less broad matters, within the framework of established policies.

In a similar way, this Study Guide treats the issues as they appear to present themselves to the government at this particular time. The relative importance of the various issues enumerated in Part III may, of course, change, and new issues or combinations of issues may present themselves. There are also bound to be occasions on which some of the more basic considerations of policy treated in Part II may undergo modification in the light of changes in the broad world picture. In utilizing this material in university teaching or in other study or discussion groups, the material may require periodic revision in the light of events. This would call for a fresh application of the method exemplified in the Guide. The reformulation and new analysis of the problems selected for special treatment in Part IV, therefore, might be as suitable a task for class or seminar work in this field as the treatment of some of the other sixty or seventy problems mentioned in Part III or some entirely new problems that were not an immediate preoccupation of the government in the autumn of 1947.

Many methods of using the Study Guide will suggest themselves in the course of experience, but the explanation of the Guide given above suggests one such method. A course of study based on the Guide might be divided into three phases. In the first, Parts I and II of the Guide would lend themselves to use in initiating the whole study group into the general ideas that lie behind all particular problems, whether broad or specific in nature. In the next phase, Part III might be used, again by the group as a whole, to familiarize it with the entire range of problems, but combined with a more intensive study of each of the four fields of issues by sub-groups chosen according to their more specialized interests. In the final phase, which might begin concurrently with the second, individual members might prepare problem papers on the model of the special problem papers in Part IV, for discussion in the sub-groups or in the group as a whole. Or alternatively, in this third phase the group as a whole might study and discuss intensively one or more of the problem papers in Part IV.

Whatever the method adopted and whether the Study Guide is used in institutions of learning or in study or discussion groups, its value will depend in large measure on the extent to which it enables the persons who use it to place themselves in a position similar to that of responsible government officials actually dealing with the formulation of foreign policies. It is hoped that, in this manner, it may contribute to the achievement of that understanding of foreign policy which is requisite not only to the training of specialists in foreign affairs but also to an informed and fair appraisal by the general public of the government's aims and actions.

LEO PASVOLSKY

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PART I

MAIN ELEMENTS OF THE BROAD WORLD PICTURE

Viewed from the United States in the autumn of 1947, the broad world picture is marked by a widespread and growing feeling of uncertainty about the possibility of establishing the peaceful world order that was proclaimed during World War II as the central peace aim of the nations arrayed against the Axis. The hope of attaining this aim sustained and inspired the war effort of these nations. Yet, two years after the cessation of hostilities, peace settlements are still to be completed with the major former enemy countries; most national economies are seriously dislocated; much of the world's population continues to suffer from acute economic distress; and many nations are in a state of political maladjustment and social ferment. Most important of all, no nation has a sense of security or is free from fear of new armed conflicts.

While the events of the first two years of peace have been shaped by a large variety of factors, dominant among these has been a growing rift in the relations between the United States and Great Britain on the one hand and the Soviet Union on the other, a development that overshadows the entire world situation. On every major issue that has arisen since the cessation of hostilities, the United States and Great Britain have been on the opposite side from the Soviet Union. Although agreement has been reached in some instances, differences of a fundamental character have emerged, and no signs of their abatement have so far appeared.

A. BASIC ASSUMPTIONS OF THE POSTWAR ORDER

The inevitability of far-reaching and immensely difficult postwar adjustments was foreseen during the war. Much thought and effort were devoted by the anti-Axis nations to the attainment of agreement on policies and means of action that would facilitate the process of postwar adjustment and minimize its difficulties. It was evident that heavy responsibilities in this connection would rest on all nations and that if the numerous tasks involved were to be successfully accomplished, exceptional responsibilities would have to be assumed by the few major nations whose forces and resources were the main instruments of military victory.

During the war it became clear that the defeat of the Axis would leave only the principal victors--the United States, Great Britain, and the Soviet Union--in the category of major nations. Although by agreement of these three, France and China were subsequently added to this category, it was generally recognized that of the five only the first three would possess sufficient military and economic strength and political prestige to give each of them a position of power and world-wide influence. While the kind and degree of power would vary among the three, the relative concentration of power and influence in their hands would be so great that each would have a pre-eminent position throughout the world. Hence the fate of the postwar world would depend upon the willingness of these world powers to pursue an agreed course of action, directed toward the creation of a just and lasting world order and involving acceptance by them of the responsibilities of joint world leadership, instead of independent and possibly discordant courses, which must eventually lead to conflict.

Wartime hope for a better future was founded on the fact that on the basis of the Declaration by United Nations (which reaffirmed the principles of the Atlantic Charter) the three powers entered into formal agreements, both among themselves and with their other allies, that reflected their recognition and acceptance of special responsibilities for concerted postwar action and joint world leadership. In the Moscow Declaration of October 30, 1943, the United States, Great Britain, and the Soviet Union, together with China, proclaimed that they were "conscious of their responsibility to secure the liberation of themselves and the peoples allied with them from the menace of aggression," and agreed "that their united action, pledged for the prosecution of the war against their respective enemies, will be continued for the organization and maintenance of peace and security." They undertook to act together in a number of problems of transition from war to peace, and recognized "the necessity of establishing at the earliest practicable date a general international organization, based on the principle of the sovereign equality of all peace-loving states, and open to membership by all such states, large and small, for the maintenance of international peace and security." In other wartime agreements, alone or together with other nations, they undertook important commitments and established numerous arrangements for the transition from war to peace and for continuing co-operation in economic, social, and other fields.

In 1945, in the Charter of the United Nations, the three powers accepted as treaty obligations a number of fundamental rules of international behavior. In common with the other members of the Organization, they agreed to be guided by the principle of the sovereign equality of all member nations. They undertook to "settle their international disputes by peaceful means in such a manner that international peace and security, and justice, are not endangered," and to "refrain in their international relations from the threat or use of force against the territorial integrity or political independence of any State or in any other manner inconsistent with the Purposes of the United Nations." Central among these purposes was the maintenance of international peace and security through "effective collective measures for the prevention and removal of threats to the peace and for the suppression of acts of aggression and other breaches of the peace"; the "adjustment or settlement of international disputes or situations which might lead to a breach of the peace" by "peaceful means and in conformity with the principles of justice and international law"; the development of "friendly relations among nations based on respect for the principle of equal rights and self-determination of peoples"; and through "other appropriate measures to strengthen universal peace." Also among the purposes of the new organization was the achievement of "international cooperation in solving international problems of an economic, social, cultural, or humanitarian character and in promoting and encouraging respect for human rights and fundamental freedoms for all." Machinery was set up under the Charter for the attainment of these purposes.

In connection with the activities of the United Nations for the maintenance of international peace and security the United States, Great

Britain, and the Soviet Union established for themselves, by consent of the other signatories of the Charter, a special position of permanent representation in the Security Council and certain privileged voting rights, which they were willing to share only with China and France. They claimed these exclusive privileges on the ground that theirs was the principal and special responsibility for the maintenance of peace and security, and that they must, therefore, in certain respects possess unique rights and safeguards. But in a formal statement at the San Francisco Conference they solemnly undertook to exercise their privileges with moderation and self-restraint.

All these wartime agreements for postwar action were not reached easily or speedily. On the contrary, a long process of discussion and negotiation, frequently marked by controversy, was required to attain them. In some cases, no reconciliation of views proved possible. Even where agreements were reached, they could not be regarded of themselves as providing ironclad guarantees of a peaceful postwar world order. Although the far-reaching differences that had existed among the three nations in the prewar period were largely submerged during the last four years of the war, the apparatus of wartime unity did not always function smoothly. It was therefore foreseen by these governments that important differences would arise among them after the war, notwithstanding the existence of a common basic interest in maintaining peace.

The wartime search for an agreed basis of postwar policies, in which the United States took the main initiative, was primarily motivated by the belief that acceptance by the major nations of common fundamental objectives and principles of action would provide an invaluable frame of reference, which, given good faith and mutual confidence, would make possible the adjustment of their own difficulties and the continued exercise of their joint leadership in the creation of a peaceful order. Furthermore, as instrumentalities of co-operative action became established, they would facilitate the peaceful co-existence of the different national political, economic, and social systems. On the other hand, without some agreed apparatus of international action little progress toward a peaceful world could be expected.

From the American point of view, the importance of wartime agreements for postwar action lay in the fact that they reflected the acceptance by all the nations concerned of an obligation to co-operate in a spirit of mutual accommodation in working toward agreed objectives of international life. Pronouncements by responsible statesmen throughout the anti-Axis world indicated that they were so regarded by other countries as well.

The legal commitments involved in these agreements had of necessity to be stated in broad terms, because it proved impossible in some cases to agree on detailed arrangements or in other cases to foretell the precise conditions under which objectives and principles would have to be translated into action. These commitments, and even more, the spirit that underlay them, thus remained to be tested by developments in the postwar period.

B. ABSENCE OF MAJOR PEACE SETTLEMENTS

The war ended without any definite understanding among the victor nations on the manner in which peace should be made or on the terms on which the former enemy nations would be reincorporated in the family of nations. The anti-Axis nations were committed, however, not to conclude a separate peace with the former enemy states, and in the Moscow Declaration of 1943 the United States, Great Britain, and the Soviet Union proclaimed that they would work together in all matters relating to the treatment of the former enemy states. Hence, the duties of occupation and control in Europe were assumed by the "Big Three" nations in combinations varying from country to country, and including France in the case of Germany and Austria. In Japan the Supreme Commander of the occupation was appointed by the United States, with the consent of the other victors, to act on behalf of the major allied nations.

During the war there had been a widespread feeling that since the victors were resolved to establish full control over the defeated states, the negotiation of formal peace treaties could well be deferred for some time. This feeling sprang from a variety of sources. There was the view that to render the principal Axis nations, especially Germany and Japan, militarily impotent required a drastic and permanent weakening of their economies through a long period of Allied military occupation and control. There was some fear that preoccupation with the negotiation of formal peace treaties might interfere with the much more urgent tasks of political and economic reconstruction in the liberated countries. And there was also the theory of a "cooling-off period," the advocates of which believed that a serious mistake had been made after World War I in negotiating formal peace treaties while the passions aroused by the war were still strong. Even during the war, however, the desirability of deferring the conclusion of formal peace settlements was seriously questioned in some quarters.

Once victory came, and as difficulties both of policy and of administration rapidly developed among the occupying nations in their day-to-day exercise of joint control over the enemy states, this questioning grew into a sense of the urgency of concluding the peace settlements. It also became increasingly clear that political and economic reconstruction in the rest of the world could not proceed satisfactorily so long as there was dissension concerning the occupation and government of the defeated countries and indecision regarding their future status, with the resulting delays in their economic readjustment. This was particularly true of Germany, Japan, and Italy, which before the war were among the leading industrial countries and whose peacetime production and consumption were important elements in the economic life of the world.

In the two years that have passed since the end of the war, it has been gradually realized that while the former enemy countries must no longer be capable of making war, this does not require their complete impoverishment. On the contrary the belief has grown that, consistent with the aims of international security, these countries should be restored to political and economic health, not only to relieve the burden on the occupying powers in supporting them, but also to enable them to contribute to the economic well-being of the world at large. It had begun to be recognized that reconstruction of the former enemy countries is important both immediately and in the long run. From the immediate point of view, their reconstruction will decrease the flow of relief and other assistance. In the long run, reconstruction is essential to the restoration of the whole international economic system.

The basic procedure for the negotiation of European peace settlements, created as a result of discussions in 1945 at Potsdam and again at Moscow, gave the final responsibility for each settlement only to those members of the Council of Foreign Ministers who had signed the surrender terms with the state in question (except that France was considered a signatory in the case of Italy). The smaller Allies who had "actively waged war" were permitted to offer their opinions and advice, which the Foreign Ministers were bound only to "consider," and in each case the final treaties required ratification only by the surrender signatories to become effective.

Treaties have since been concluded in this manner with Italy and the Axis satellites in Europe, but under conditions that tended to intensify rather than to alleviate postwar difficulties. Despite the agreement on basic procedure, the negotiations were completed only after long delays, caused almost entirely by the Soviet Union and frequently on purely procedural grounds. They were conducted in an atmosphere of sharp dissension and controversy both in the Council of Foreign Ministers and later at the Paris Peace Conference, when the smaller nations were admitted in a secondary capacity to the peacemaking process. The treaties impose upon the defeated enemies terms in some respects so onerous that they appear widely at variance with some of the promises made during the war to these states in order to hasten their surrender. In addition, the treaties leave still unresolved a number of serious problems such as the disposition of the Italian colonies and the implementation of the provisions regarding Trieste.

The nature of some of the treaty terms and the process by which they were negotiated have caused a great deal of ill feeling. Among the defeated nations there was bitter resentment. Many of the smaller Allies began to have increasing doubts about the real intentions of the nations that insisted on the more onerous terms. They also became increasingly doubtful of the dependability and effective power of the nations that had assented, however reluctantly, both to those terms and to a treaty-making procedure that denied them an equal participation.

Peace settlement negotiations have been undertaken by the Council of Foreign Ministers in connection with Germany and Austria. Up to the present time, the negotiations have produced not agreement but further dissension among the great states. While exploratory work in connection with the settlement for Germany continues at a lower official level, the negotiations themselves were interrupted and will not be resumed by the Foreign Ministers until November of this year. A Committee of Deputies was created by the Foreign Ministers' Council to continue negotiations on the Austrian peace treaty, but so far it too has been unable to reach a satisfactory final agreement.

The United States has now invited the other ten signatories of the Japanese surrender terms to meet to discuss the negotiation of a peace treaty with Japan. The British Commonwealth signatories accepted the invitation in principle but requested postponement until the British Commonwealth conference on Pacific problems held in Australia was completed. The Soviet Union, in replying to the invitation, took the view that the initiative in the matter of a Japanese peace conference could be taken only by joint consultation of Great Britain, the Soviet Union, China, and the United States through the Council of Foreign Ministers comprising these four powers.

The failure to reach satisfactory peace settlements, in the case both of those already completed and of those yet to be completed, has made the task of transition to a peaceful world immensely more difficult. Until satisfactory peace settlements can be made, occupation on the scale now being maintained must continue with its attendant difficulties and high cost. This in turn, along with the general instability of an unsettled world, has rendered vastly more difficult the tasks of repairing the ravages of war and restoring the political stability, sense of security, and general economic well-being so necessary to a peaceful, ordered world.

C. ECONOMIC DISLOCATION AND DISTRESS

The war left most of the world economically impoverished and dislocated. These conditions were particularly marked in the areas of actual hostilities. While the most striking economic effect was the physical devastation wrought by actual warfare, other forces of destruction and distortion were at work with equally telling effect on domestic economies and on the whole structure of international economic relations. The total result in some cases was serious strain; in others, a complete prostration of the domestic economy.

Even before the actual physical devastation occurred, the economies of most countries were being seriously dislocated by the necessity of providing the sinews of war. Many of the belligerents were forced by the necessities of war to expend much of their accumulated wealth and resources, which they are now seeking to replace. Man-power resources in many countries were depleted by the millions of military and civilian casualties and by the vast numbers of people awaiting demobilization and repatriation. Agricultural production in most European countries declined as a result of wartime shortages of man power, work animals, machinery, and fertilizers. Livestock populations were reduced when imports of feed were cut off or the supply was needed for direct human consumption.

The disruption of the structure of international economic relations had a profound effect upon the economic conditions within individual countries. Wartime dislocation of trade affected both imports and exports. Diversion of productive capacity to war purposes and the severe restriction or complete strangulation of the ordinary channels of international trade affected the overseas sources of food and other supplies for the great importing countries and at the same time either diminished or prevented altogether the production and movement of their exports. In some areas, mainly tropical, a shift occurred toward subsistence farming and away from crops for export. In others, there was a great expansion in the production of materials used in the war. Generally speaking, however, the world was faced with over-all shortages of food, fuel and power resources, certain industrial materials, and innumerable manufactured goods, especially transportation equipment.

While considerable progress has been made since the end of the war in solving some of the economic problems, economic recovery in the world as a whole has been slow and uneven, and it was seriously interrupted toward the end of 1946. At the present time, the stark fact of the widespread prevalence of hunger underlines the general shortage of food, the end of which is not yet in sight. Next to food, fuel is probably the most serious general problem. European and British coal production has not been restored to anything approaching the prewar level. Britain's coal crisis of last winter only aggravated an already desperate domestic fuel shortage in a country that has traditionally exported coal. There is also a serious shortage in available supplies of petroleum. Though production in the United States now exceeds the prewar figure, the greater demand for petroleum products, the lack of transportation facilities, and the wartime dislocation or destruction of European oil fields and refining facilities leave total supplies inadequate to meet the demand for them.

The already difficult general economic situation in many countries has been further aggravated by shortages of other necessities of life, such as clothing and housing. In many instances, materials are in short supply that are urgently needed both for housing and for industrial reconstruction. This is the situation in the case of timber, steel, and other industrial products.

In the absence of adequate industrial reconstruction in some countries, important by-products of basic industries are lacking, and the effects are profoundly felt in other segments of the domestic and world economies. For example, the fuel shortage and the very low level of European steel production have inactivated the European synthetic ammonia industries and have caused a deficiency in basic slag, a steel by-product, which has resulted in a shortage of fertilizers. As a result, agricultural production throughout the world, but especially in Europe, suffers greatly, and the food problem is made more acute.

The effects of all these commodity shortages are intensified by the serious lack of transportation that makes the efficient distribution of available supplies difficult. The loss of transport equipment during the war, through destruction and the deficiency of maintenance, combined with the present inadequate rate of replacement, would make transportation a more critical economic problem were it not for the continuing shortages of commodities to be moved.

Today, many aspects of the world's productive capacity and power are greatly distorted. Some commodities now in short supply present incipient surplus problems. There is already in prospect a surplus of raw wool, cotton, aluminum, magnesium, and rubber. Ultimately, wheat, sugar, and steel may also be in surplus supply. Government action to increase output of many commodities for reconstruction purposes (in some cases from new sources) must therefore be taken with an eye to the long-run problem of potential surpluses resulting from the recovery of old sources of supply and from adjustments of demand.

World industrial capacity for the production of some kinds of manufactured goods increased considerably during the war, especially in North America, the southern British Dominions, and Japan, with more moderate increases in Latin America, India, and eastern Europe. After the war, however, as a result of the destruction and the dismantling of industries in the enemy states, both capacity and production fell. Moreover, much of the existing industrial equipment everywhere required extensive reconversion operations before the products needed for reconstruction could be produced.

American and British exports of capital goods have been the main source of outside assistance in reconstruction, but demand has greatly exceeded the maximum supply available from these countries. Europe, which before the war supplied other parts of the world with vast amounts of manufactured exports, must recover before the world as a whole can obtain adequate supplies of capital goods for reconstruction and development. So far the rate of recovery has been uneven, depending as it does on the extent of war damage to be repaired, occupation and reparations policies, the manpower position, and local bottlenecks in fuel or transportation. But as economic rehabilitation gets under way in Europe, the great concentration of industrial capacity in North America may raise problems analogous to those of actual or potential surpluses in raw materials.

An additional factor is that, in terms of the end product, the distribution of industrial capacity throughout the world has changed. Today, the need for both capital goods and the industrial capacity to produce them is acute, but there is also a great deficiency of capacity to produce the consumer goods so badly needed if standards of living are to be restored and raised. A restoration of the balance of industrial capacity between capital and consumer goods will therefore be required over the next few years.

There is an even greater maldistribution of the world's financial resources, and this exerts a profound influence on the processes of recovery. In most countries, foreign exchange resources, especially dollars, are far from adequate to pay for the imports that they must have before they can revive their export trade. Some countries are already cutting down their imports pending the recovery of exports, thereby impeding the recovery of the export trade of other countries. It is likely that most countries will continue to be faced with a balance-of-payments problem that at least for a transitional period will make some control of import expenditures inevitable. Foreign loans to ease such balance-of-payments problems have so far been available mainly from the United States, and to a lesser extent from Canada, Sweden, Switzerland, Argentina, and Great Britain. Over the whole period of reconstruction, of course, the United States will have to be the principal lending nation, but it is important to the restoration of a world economy that other credit sources be revived and expanded, including those in countries that may not be net lenders.

Despite the need for external assistance, it is increasingly apparent that the financial problem of reconstruction is preponderantly internal. If capital reconstruction and new capital formation are to be accomplished, private or institutional savings out of current income must be made internally despite the low levels of national income. In some countries the reconstruction of the monetary system must precede the rebuilding of industries because confidence in the currency is essential to the financial process of capital formation.

The principle of self-help as the basis of reconstruction--to be supplemented, rather than replaced, by foreign aid--was emphasized by Secretary Marshall in connection with the problem of financial assistance to Europe, where national reconstruction needs have been accentuated by the absence of international co-ordination of reconstruction efforts. This principle has been accepted by sixteen western European countries, and embodied in a four-year program designed to bring about a self-sustaining economy in that part of Europe. But new difficulties have been created by the refusal of the Soviet Union and, under its pressure, of the other countries of eastern Europe to co-operate. The difficulties have been accentuated by the damage to the United States corn crop in 1947, which has increased the world food shortage.

Even before the war ended, it was evident that lasting remedies for the economic and social ills following World War II must be found, in large measure, through positive collective action on an international scale, supplemented by national action to make the collective action effective. Agreements on the basic principles that should underlie international co-operation in economic and social matters were set forth in the Atlantic Charter, in the Lend-Lease Agreements, and even more comprehensively in the Charter of the United Nations. In addition, a number of new international organizations were created to deal with both emergency postwar problems and longer-run economic questions.

Recognition of the urgent needs that would exist as occupied countries were liberated from the Axis led to the establishment of the United Nations Relief and Rehabilitation Administration (UNRRA) late in 1943 to provide emergency food, clothing, shelter, and medical aid, and to assist in the repatriation of displaced persons and in the resumption of urgently needed production and essential services. Additional machinery for dealing with urgent problems in Europe was created in the European Coal Organization (ECO), the European Central Inland Transport Organization (ECITO), and the more general Emergency Economic Committee for Europe (EECE). This apparatus for handling immediate problems has recently been superseded by the International Refugee Organization (IRO) and the Economic Commission for Europe (ECE) created under the auspices of the United Nations.

Machinery for longer-range international postwar collaboration was also established under agreements formulated at a number of wartime conferences. The Food and Agriculture Organization (FAO) was established to consider improvements in food production and distribution and in nutrition; and the International Monetary Fund and the International Bank for Reconstruction and Development were created to stabilize currency exchange operations and to finance reconstruction and development. Special machinery was also provided to deal with problems of civil aviation; and preliminary plans were made for international action in the fields of telecommunications and ocean shipping. And under the Charter of the United Nations, an Economic and Social Council was set up to promote and assist in co-ordinating national and international action in all areas of economic co-operation.

Upon the close of the war, the government of the United States formulated proposals, which grew out of Article VII of the Lend-Lease Agreements, for a program of action in the field of commercial policy. These proposals were communicated to the other countries after agreement of the British government on all essential points had been secured during the American-British loan negotiations in the autumn of 1945. The proposals were intended for subsequent consideration by an international conference on trade and employment. A preparatory committee representing the most important trading countries of the world was created to prepare a draft charter for an international trade organization. At meetings in London in 1946 and Geneva in 1947 it prepared a Draft Charter that contains multilateral undertakings to seek full employment, to co-operate in economic development, and to reduce or eliminate restrictive and discriminatory trade practices. An International Conference on Trade and Employment has been called under the auspices of the United Nations to meet in Havana in November 1947. Concurrently with the Geneva meeting, the seventeen countries represented there have been negotiating for a series of trade agreements designed to reduce tariffs and preferences by the methods employed in the American Reciprocal Trade Agreements Program.

Thus far, these international arrangements and institutions have not been effective in producing a satisfactory rate of world recovery. Though the failure to make adequate preparations to meet the problems of reconstruction has in some cases been a contributing factor, an equally important one has been the subsequent difficulties encountered in the process of translating wartime agreements on general principles and objectives into specific political and economic policies. Both of these factors have played a part, for example, in the cases of food and reconstruction credits.

In the case of food, internal disorders and natural causes made the short-range problems of scarcity much greater than expected. Political and social disorders in many countries and actual armed conflict in some, have handicapped agricultural production even more than shortages of man power, equipment, and supplies. Natural causes played an important role, beginning with the severe drought of 1945 that affected the chief food exporting countries of the Southern Hemisphere and the Mediterranean, followed in 1946-47 by the failure of the monsoon rains that ruined the Indian rice and wheat crops, and last winter's storms, floods, and exceptional cold that destroyed crops and food stores in Europe, and culminating in the severe droughts of this spring and summer in many parts of the world. The resulting scarcity of food was beyond the capacity of UNRRA to handle, and the FAO was not equipped to deal with the problem. Supplementary arrangements were made through diplomatic action and through the International Emergency Food Council, but even these stopgap measures proved inadequate.

As regards reconstruction credits, the slowness with which the International Bank for Reconstruction and Development has begun to function, the relatively limited character of its resources, and the restrictions on its lending authority have left a gap that has had to be filled by unilateral action, principally on the part of the United States. Moreover, the lag in recovery has caused larger demands for reconstruction credits than had been foreseen.

The difficulties resulting from a failure of the major nations to translate general objectives into specific policies is amply illustrated in the matter of peace settlements and in the field of commercial policy. Delay in the conclusion of peace settlements with the former enemy states and occupation difficulties have left Germany and, to a lesser extent, Japan in a state of economic disintegration. The field of commercial policy is also marked by failure to achieve the goals set. Although there was early recognition of the fact that international collaboration to establish sound methods of trading was fundamental to all reconstruction, the practical difficulties of returning to multilateral trade under unbalanced and disturbed conditions have prolonged the period of transition from wartime to peacetime trading methods. In the absence of agreements for the earliest possible return to multilateral trade, there has been a steady growth of bilateral bargainings and arrangements, which have made a limited contribution to expansion of trade in some areas, but have created new difficulties for the transitional process.

Politically unsettled conditions, especially in Europe, have rendered especially difficult the commercial policy negotiations in London and Geneva. Differences in the bases of economic organization between the United States and Great Britain, the world's two most important trading nations, have impeded progress over the whole area. Further difficulties have been caused by claims for freedom to protect their industries put forward by many of the so-called underdeveloped countries. Uncertainty regarding both the dependability of American foreign economic policy and the stability of the American economy have in some cases affected the willingness of other countries to meet the United States halfway.

Refusal of the Soviet Union to participate in most of these arrangements for economic and social co-operation and the recalcitrant attitude of the Soviet members in those few organizations in which it has participated have cast a pall over all the efforts toward economic co-operation. The negative influence of the Soviet Union in this respect has been out of all proportion to its relatively unimportant position in international economic affairs, a situation that reflects its strategically strong political position.

On the other hand, preliminary agreement has been reached among seventeen countries on a code of commercial principles as the basis for discussion at the Havana Conference. At the same time, the intensive review of their present position by the western European countries in preparing a joint recovery program in response to the Marshall Proposal may give a substantial impetus to the movement for a reduction of trade barriers at least within western Europe.

D. POLITICAL MALADJUSTMENT AND SOCIAL FERMENT

The war left in its wake acute disorganization in the internal political structure of many countries and profound social and political unrest all over the world. In most countries the cessation of hostilities was followed by an inevitable reaction to the war tensions, which took the form of political and social fermentation, differing widely from country to country in character and degree of intensity. In the defeated enemy states the machinery of government ceased to function in a normal sense and had to be rebuilt under the authority of the victors. Apart from these nations, internal political disorganization was most acute in those countries that had suffered total occupation during the period of hostilities.

The liberated European states were confronted with the problem of restoring or reorganizing their internal political systems at the same time that they were re-establishing themselves as national entities. In the Far East, political unrest was accentuated by special problems not found in other countries. In the former non-self-governing areas of southeast Asia, there was not only the problem of overcoming the effects of Japanese occupation, which had caused a break in the continuity of control by France, Great Britain, and the Netherlands in their respective dependencies, but also the problem of contending with a rising tide of nationalism, stimulated by the war and by the break in the continuity of European control.

China was another special problem. Although only partially occupied by the enemy, its central government experienced difficulties even during the war in exercising authority over much of the unoccupied portion of the country. After the end of the conflict, there was no longer a common enemy to provide even a partial restraint upon the attacks of the two contending Chinese factions upon each other.

In their wartime pronouncements, the United States, Great Britain, and the Soviet Union had expressed their intention to co-operate with each other in the re-establishment of democratic institutions in countries faced with the problems of internal political reorganization. In February 1945 in the "Declaration on Liberated Europe," they had pledged themselves to assist the peoples of both liberated and Axis satellite states to solve their pressing political and economic problems by democratic means. Where conditions so required, they agreed jointly to assist these peoples to establish internal peace, to carry out emergency relief, to form coalition governments pledged to the earliest possible establishment of representative governments through free elections, and to facilitate the holding of such elections. In various other declarations the three nations proclaimed their determination to reconstitute governments in the enemy countries on the basis of free choice by their peoples, after punishment of war criminals and after measures of denazification and demilitarization had been carried out under Allied direction. In other pronouncements they recognized the right of all independent nations to establish and maintain national political institutions on the basis of free expression of the will of their peoples.

In the past two years the European countries (except for the Baltic States and Germany) have been re-established as national entities, but many of them remain in varying degrees of political instability resulting from both internal and external factors. In this respect the situation differs widely between eastern and western Europe.

In eastern Europe, Estonia, Latvia, and Lithuania have been absorbed by the Soviet Union. National political regimes either communist-controlled or amenable to communist pressure have been established in eight Allied and former satellite states: Poland, Finland, Czechoslovakia, Hungary, Rumania, Bulgaria, Yugoslavia, and Albania. This condition of affairs has been brought about largely through intimidation or direct intervention by the Soviet Union on the ground of the necessity of having friendly regimes in the states that are its neighbors. Attempts to implement the pledge of joint assistance to some of these countries through international supervision of the elections for the re-establishment of political regimes have been frustrated by the action of the Soviet Union. In Hungary, a regime established on the basis of a general election was overthrown last spring by a communist coup d'état, accompanied by allegations of treason against officials of the freely elected government. Both the new Hungarian government and the Soviet occupying authorities in Hungary have flatly refused to reveal to the United States and British governments the precise character of these charges and the evidence on which they were based.

The extent of Soviet domination of the countries of eastern Europe can be seen in the response of these countries to the announcement of the "Marshall Proposal." When the invitation was issued by Great Britain and France to all European countries to participate in the preparation of joint plans for the economic rehabilitation of the continent, Poland and Czechoslovakia expressed their intention to attend, but under pressure from Moscow they and the other eastern European countries refused the invitation.

In Greece the regime established on the basis of an election under the observation of the Anglo-French-American Mission (in which the Soviet government refused to join) has been consistently and violently challenged by communist-dominated groups, aided by Soviet-controlled Yugoslavia, Bulgaria, and Albania. The result has been almost uninterrupted internal strife. The situation became sufficiently serious to warrant investigation by the Security Council of the United Nations, followed by proposals for measures to be taken under the Council's authority. These proposals were defeated by the Soviet use of the veto. The question is now before the General Assembly for debate. In spite of substantial aid by the United States under the Truman Doctrine, the border troubles continue, and the whole situation is still unstable.

In the liberated countries of western Europe and in Italy, free elections took place and representative governments were re-established. Although the local Communist parties have not obtained a dominant position in any of these countries, they have generally shown substantial increases in strength. In France and Italy particularly, the Communist parties occupy a position whereby, even if they do not hold a balance of political power, they are at least strategically placed to harass the government. In Italy, the ratification of the peace treaty marked the opening of a vigorous political attack by the communists on the government, designed to bring about its fall. In France, the Ramadier government has thus far successfully resisted communist pressure, but its position is still precarious. In all of these instances, the Communist parties, directed from Moscow, constitute important disturbing elements in countries where political activity even in normal times is characterized by the existence of parties of shifting allegiance, unstable coalition governments and confused political policies.

In Germany, Austria, Japan, and Korea political instability is aggravated by the lack of peace settlements. The continued presence of occupation troops in these states contributes to uncertainty and postpones the achievement of real stability, even where the occupation authorities have no desire to interfere beyond the essential requirements of the occupation. In the five former enemy countries for which peace settlements have been made there is either political uncertainty or a growing intensity of communist pressure leading to the same result. And now that occupation troops are to depart from Italy and Bulgaria within a fixed period, the struggle for political control is likely to be intensified.

Unstable internal political conditions also exist in many other countries. In the Near East, for example, the internal situation in several countries is in a precarious state owing to a combination of domestic factors and external pressure from the Soviet Union. Established governments have been overthrown in several countries of the Western Hemisphere by successful coups d'état; and other unsuccessful attempts at revolution are indicative of the widespread unrest.

In some non-self-governing territories the rise of militant nationalist movements seeking complete independence or political autonomy has created difficult problems of adjustment for both the colonial powers and the nonself-governing territories themselves. These independence movements, extending across North Africa and through the Middle East and Southeast Asia, have put to a severe test the wartime pledges of self-determination and more self-government for dependent peoples made by the United States, Great Britain, France, and the Netherlands.

The pledge of Philippine independence was redeemed by the United States after the end of the war, but many problems of adjustment remain for both the Philippine Republic and the United States. Moreover, the United States still has difficult problems to face in its dependent territories such as Puerto Rico and Guam.

Great Britain acceded to Indian demands for independence, but the immediate result has been to plunge the country into religious strife and the chaos of civil disturbance. The divided subcontinent that comprises India and Pakistan is faced with the elementary problem of establishing law and order that must be solved before progress can be made in the orderly adjustment of intergovernmental relations. The situation is further complicated by the decision of a few large Princely states to assert their independence of the other Dominions. Burma also made similar demands upon Great Britain for independence, and again the political change has been accompanied by a certain amount of violence. However, a constituent assembly has been in session for some time, and a draft constitution for the new Dominion is in the final stages of preparation. One of the most important problems in Burma is the status of non-Burmese minorities and special arrangements have been made for their protection during the transitional period of constitutional adjustment.

While France has provided for the incorporation of some of its dependencies within the framework of metropolitan France, there is still considerable unrest in the French dependencies, notably in Indo-China where nationalist groups are in armed revolt against the re-establishment of French rule. The Netherlands for some time has been attempting to re-establish its sovereignty in Indonesia in order to effect an orderly transition to an autonomous regime. But the attempt has met with armed resistance by the Indonesian Nationalist Government. In spite of the attempts of the United States and of the United Nations to assist in a settlement, the issue is still unresolved, and the situation remains little more than an armed truce.

All the former mandated territories except Southwest Africa and Palestine have been made trust territories under the United Nations trusteeship system. In the case of Palestine, armed strife has become chronic, and although the problem of its future is now before the United Nations, the prospects for a peaceful solution are not promising.

Extreme "reform" groups, of the right as well as the left, are active in most countries today. They are challenging the very fundamentals of democratic freedoms and institutions. Strengthened by the existence of economic dislocation and distress, the militant activities of these groups contribute to political instability and social unrest and engender widespread cynicism regarding the capacity of society as presently organized to promote human betterment and peace. Through these activities, supported by the use of subversive propaganda, they have contributed greatly to the disregard of individual civil liberties and in general to the lowering of standards of public morals, already affected by the war.

Government-sponsored impediments to the exchange of information and ideas hinder the spread of improvements in human well-being. At the same time, such restrictions make the domestic propaganda of governments more effective by prohibiting the expression of opposing ideas. They also increase international uncertainty and the suspicion that springs from ignorance, thereby facilitating the employment of psychological warfare as a weapon of aggression.

E. WIDESPREAD SENSE OF INSECURITY

At the end of hostilities, the war-weary people of the world desired more than anything else an enduring peace with conditions at home and abroad that would give them a sense of security and confidence. The startling developments during World War II in the methods and weapons of warfare, and especially the future possibility of atomic and bacteriological warfare, produced an overwhelming dread of the recurrence of war. Moreover, a sense of confidence was clearly indispensable not only to the solution of the innumerable problems in the transition from war to peace but for future progress in almost every field of human endeavor.

The adoption of the United Nations Charter, after the demonstration of international co-operation displayed in creating it, was universally acclaimed as an act that laid the foundations for a peaceful world order. The existence of the United Nations has not, however, provided the world with the sense of security it seeks. While the causes of the continuing lack of security are numerous and complex, foremost among them has been the failure of the great nations to fulfill their promises to work together, both inside and outside the United Nations, toward the attainment of the objectives set forth in the Charter. In this most important respect, the record of the United Nations in actual operation since its establishment nearly two years ago has been a mixture of moderate success and conspicuous failure.

The first three sessions of the General Assembly have provided a useful opportunity for focusing attention on the major problems confronting the nations. But the open world forum that it provides has been too frequently misused for violent propaganda. The work of the Security Council in the field of peaceful adjustment has in some measure served to resolve several difficult situations, but it has been carried on in an atmosphere of sharp controversy and frequently of frustration. This has resulted mainly from the repeated use of the veto power by the Soviet Union, which in itself has been more a reflection of the apparent inability of the major nations to adjust their own differences than a cause of those differences. Disagreements between the representatives of the Soviet Union and of the other permanent members of the Security Council, both in the Military Staff Committee and in the Council itself, have so far prevented the conclusion of satisfactory agreements to provide the Council with armed forces and military facilities.

The problems of the control of atomic energy and the regulation of national armaments have been a major consideration of the United Nations. The Atomic Energy Commission is endeavoring to reach agreement on recommendations for the elimination of the major weapons of mass destruction and for the control of atomic energy for peaceful purposes. The Commission for Conventional Armaments is attempting to formulate plans for the regulation and reduction of other national armaments. However, divergences of view, amounting almost to deadlock on many basic issues, especially between the United States and the Soviet Union, have developed in both Commissions. The negotiations continue to be slow and difficult, increasing the universal feeling of uneasiness owing to the continuing failure to reach agreement on some means of controlling the vast forces of destruction now possible of use in the world.

In the light of these growing difficulties within the United Nations, there are many individuals and groups, especially in the United States, who are convinced that the troubles of the world arise primarily from the inadequacy of existing international institutions. They believe that mankind's only means of salvation is in the creation of agencies of world government, either by a thorough reorganization of the United Nations system or by some other means. There is also a widespread tendency to emphasize the importance of regional or other groupings of nations, some of them voluntary, such as the inter-American system and the more recently formed Arab League; some under compulsion, such as the present informal association of the countries of eastern Europe under the domination of the Soviet Union.

The operation of the United Nations to date, however, has reflected--as it must reflect--the general state of the world and especially the difficulties in the relations among the major nations. This is unavoidable, since the United Nations Organization was not designed to replace the entire network of international relations nor to provide machinery for the solution of all international problems. In negotiating the Charter, the nations deliberately left outside its purview the solution of some of the major current world problems. They defined the functions and powers of the United Nations on the basis of what appeared at the time to be attainable by international agreement. The Organization was thus established as a new instrumentality of co-operation among nations, but one which must of necessity function within a framework of far-reaching limitations resulting from both the validity of the basic assumptions on which it was founded and the scope of its authority.

Taken at their face value, the text of the Charter and the pronouncements made by the signatory nations pointed to the following conclusions, which are the broad basic assumptions of the international security system that was being established under the Charter:

1. All peaceful nations, impressed by the fact that their united strength had been required to defeat the Axis forces, were likewise prepared to unite after the war in maintaining peace and security through an effective system of organized international relations.

2. The major anti-Axis nations, especially the United States, the Soviet Union, and Great Britain, were prepared to match their exceptional power position in the world with the acceptance of exceptional responsibilities in the achievement and maintenance of such a system.

3. The major nations were prepared to take joint action on behalf of all nations toward maintaining international peace and security during the unsettled period following the cessation of hostilities and pending the full establishment of the machinery of the United Nations and toward solving, both inside and outside the United Nations, the numerous and complex problems of transition from war to peace.

4. The major nations were prepared to carry out these commitments in the light of unequivocal and publicly-proclaimed pledges, given by them to each other and to the world at large, to exercise a far-reaching measure of self-restraint in their dealings with each other and with the smaller nations.

One of the principal values of the United Nations Organization is that adherence by the member states to its Charter constitutes acceptance by all of them of an unequivocal obligation to follow international rules of conduct sufficiently comprehensive to provide an adequate basis for a just, enduring, and peaceful world order. It is also of great importance that the Organization provides a much needed agency for the judicial adjustment of legal disputes; for the promotion of political adjustment and settlement of other controversies and disputes; for the development of international law; and in general for fostering conditions conducive to the maintenance of international peace and security. Finally, the Organization constitutes the first approach to the creation of international machinery for the removal of threats to the peace and suppression of breaches of the peace. The effectiveness of the United Nations in all of these respects, however, depends upon the fulfillment of a number of conditions, all of them involving the attitudes and actions of the major nations.

The most immediate of these conditions is the conclusion of satisfactory arrangements for re-integrating the former enemy states into the family of peaceful nations. In agreeing to the Charter, the victor nations in World War II reserved to themselves complete freedom of action outside the United Nations in concluding peace settlements with the former enemy states and in establishing arrangements for preventing further aggression on the part of those states. While the Charter of the United Nations does not exclude action by the Organization directed toward the conclusion of peace settlements with the former enemy nations or the subsequent policing of these nations, it specifically provides that none of its provisions shall preclude or invalidate measures taken by the victor nations to that end. Such measures are being taken today outside the Organization by the major nations, and the arrangements being made by them will remain outside the scope of the United Nations until this responsibility is transferred to and accepted by the Organization. The circumstances, already described, under which the peace settlements are being negotiated have a decisive bearing on the validity of one of the basic assumptions of the United Nations system--the willingness and ability of the major nations to solve by mutual agreement problems that are excluded from the scope of the Organization's authority and operation.

Another basic condition the fulfillment of which is necessary for the success of the United Nations system relates to the peaceful adjustment and settlement of international disputes. In the Charter, the member states, when parties to a dispute, assumed the responsibility for first utilizing on their own initiative the numerous methods of peaceful settlement--conciliation, arbitration, judicial settlement, etc.--before referring the dispute to the United Nations. The Organization itself is given the function and authority to promote and facilitate adjustment or settlement by making recommendations to the parties. While the recommendations are neither binding on the member nations nor enforceable by the Organization, the basic assumption of the United Nations system was that they would carry decisive weight if all of the major nations, not themselves parties to the dispute, concurred in them. It was in part for this reason that the so-called veto provision was made applicable to the pacific settlement procedures of the Security Council.

Still another basic condition relates to the authority and power of the Organization to remove threats to the peace and suppress breaches of the peace. For these purposes, the Security Council is empowered under the Charter to take drastic measures, including the use of armed force. However, since none of the major powers has so far shown a willingness to have its armed forces used for enforcement action without its consent, decisions of the Security Council to take such action are governed throughout by the veto provision applying to the five permanent members. In practice, this means that the Security Council cannot exercise its police powers against any one of its permanent members and can act against any other nation only if the five permanent members are in agreement. The effectiveness of the enforcement powers of the United Nations, therefore, rests wholly upon the assumption that the major nations are willing to act together, especially the three nations in whose hands actual power is concentrated.

Thus in the United Nations system, as in every aspect of world affairs, these three world powers have a special responsibility and a correspondingly special position. The effectiveness of the system in building a peaceful world order depends fundamentally upon the willingness of the major nations to carry out in good faith their obligations under the Charter and to assure by their united action that all nations observe these obligations. The degree of effectiveness of the system also depends on the willingness of the major powers to avail themselves fully of the processes of peaceful adjustment provided by the United Nations system and their willingness to work together in a spirit of co-operation and mutual accommodation, both inside and outside the United Nations, toward the solution of the many problems confronting them and the world.

The special position of the three major powers also means that if one of them should fail to carry out its accepted obligations, the Organization can subject it only to the pressure of moral condemnation. Such a power can be restrained only through the combined action of the other major nations, taken outside the Organization itself. Under present conditions, this would mean another world war, which can be avoided only if all of the major nations are willing to carry out their special responsibilities in the present-day world. The crucial factor today is that the events of the past two years--and especially the international behavior of the Soviet Union--have cast increasing doubt on the continuing validity of the underlying assumptions of the United Nations system.

There is a growing tendency to think that the world is already irrevocably divided into two parts that must inevitably clash with cataclysmic consequences and that, therefore, each part must now organize itself for its own defense. Fundamentally, however, there is a deep-seated hope in all countries that the major nations whose united efforts achieved victory in war will still be capable of taking the united action necessary to build an enduring structure of peace and security.

F. ALTERNATIVES AHEAD

The position of the three major powers today gives each of them vital interests in every part of the globe. All are directly concerned with the future status of Germany and Japan, which remain important repositories of potential power and therefore may conceivably, through some future combination of circumstances, upset the present world power relationships. More generally, World War II and its attendant developments have accentuated the interdependence of nations not only in economic matters but in matters of peace and security as well. Any serious controversy that arises anywhere must inevitably concern each of the three major powers from the standpoint of its own national security and well-being.

Just as each of the three major powers has vital interests throughout the world, so each of them also has world-wide influence. They face each other everywhere, and no one of them can exercise its influence in any critical area without directly encountering the other two. At the same time, each of them has its own conception of the kind of international order it wants, a conception expressed in the major objectives of its national policies. Differences in political, economic, and social outlook, which are reflected in their respective national institutions and modes of thought, are also reflected in their conceptions of world order and in their international relations.

As between the United States and Great Britain, no difference has arisen nor is any likely to arise that cannot be resolved peacefully. Though the reasons for this are many, at least two are significant here. There is a conviction in both countries that a common interest in orderly international relations is more important than conflicts of view or interest on any individual issue. Moreover, they are both convinced that an ordered system of peaceful international relations requires a genuine belief in its effectiveness and a willingness to contribute to it. On the other hand, differences that have arisen between these two nations and the Soviet Union bear within them seeds of danger to peaceful relations among nations. This is the result primarily of increasing uncertainty concerning the Soviet Union's basic objectives in the world and its desire to conduct its international relations on the basis of a continuing and orderly accommodation of divergent interests.

Many differences existed before the war between the Soviet Union and the other two powers. They were submerged during the war under the pressure of a great common interest, the necessity of unity in order to defeat the Axis. The creation of the United Nations system was based upon the assumption that avoidance of war would also be a sufficiently compelling common interest to bring about the minimum reconciliation of major differences that would be necessary to establish and maintain a peaceful world order.

Today, however, the Soviet Union is employing such methods of international conduct as the promotion of revolutionary activities in friendly countries; the establishment of control over weaker countries by means of pressure or direct intervention; the periodic unleashing by its official spokesmen of violent and irresponsible propagandist attacks on the governments and peoples of the United States and of other countries; attempts to exclude the United States and Great Britain from any influence or participation in the affairs of the European continent; and persistent obstruction to a workable solution of any of the world's major problems. The world is left in doubt whether these activities are evidence of a final decision by the Soviet Union that the differences between itself and the other powers cannot be reconciled on a peaceful basis; and whether it intends to direct its efforts increasingly toward creating in the world conditions of confusion and chaos as preparation for more drastic action. At the same time, these activities are producing mounting resentment against the Soviet Union in the other countries and are leading them to policies and actions that they regard as essential to counteract the trends set in motion by the international behavior of the Soviet Union. The possibility cannot, therefore, be excluded that a further deterioration of international relations might eventually lead one side or the other deliberately to decide that its national security or its world objectives are impossible of attainment without the use of armed force to eliminate the other.

Alternatively, the world might continue for some time to live in the present nightmare that is neither war, nor peace, nor even an armed truce, with the two sides attempting to contain and counter-contain each other; with none of the world's critical problems solved; with economic and social distress increasing in scope and intensity; and with mutual suspicion and psychological warfare intensified. This might lead to some basis of temporary accommodation in terms of a precarious balance of power, with all nations forced to align themselves with one or the other side. But no such situation could continue long without change. The very precariousness of the balance, based on the present enormous concentration of power in three countries only, would mean a constant danger of its being disturbed. A situation built on such shaky political foundations might collapse through sheer inadvertence, or the constant accumulation of unresolved difficulties, or poor judgment of the tensions in a situation, or some combination of these conditions. A collapse might be averted for some time if good fortune prevented any of these "accidents" from occurring. But in the meantime there would be a constant danger that war might break out, not deliberately provoked by any nation, but with no nation capable of preventing it.

The alternatives indicated above constitute an essential denial of the possibility of a peaceful world, except as chance and good fortune may prevent a recurrence of war. But there is still a third alternative--the deliberate choice of peace. In spite of the dismal world situation, nothing that has happened to date has shut the door on a peaceful solution. All of the three major nations are still committed to the obligations that they assumed under the Charter of the United Nations. A scrupulous observance of these obligations still provides a basis for enduring peace through mutual adjustment and action in the common interest, both inside and outside the United Nations. What is required is a clear demonstration on the part of the Soviet Union that it accepts the third alternative, and a willingness on the part of all three of the major nations to re-explore their present differences, with a sober realization that, without a resolute attempt to close the rift that now divides them, a world war fought with the weapons of the atomic age may yet be the fate of mankind.

Even this effort could not be expected immediately to solve all world problems and to leave relations among nations in complete harmony. The events of the past two years have magnified and made vastly more difficult the already stupendous problems bequeathed to us by the war. No single step, not even one as important as a move in the direction of achieving unity among the major nations, and no improvement in the machinery for international action, can be expected to remove for all time the causes of disputes between nations. But an effort now on the part of the three major nations to resolve their basic difficulties peacefully would create a workable basis for a peaceful world order in which all nations could go forward with the immense task of repairing the ravages of the past and of advancing toward better conditions of national and international life.

PART II

MAIN FACTORS IN THE PRESENT POSITION OF THE UNITED STATES IN WORLD AFFAIRS

The United States, which occupies a position of immense power and influence in the world today, has in recent years assumed a role of positive world leadership. That leadership was instrumental in forging and maintaining the anti-Axis coalition, which won military victory in World War II. It was equally effective in producing the first outlines of the international institutions and arrangements for a peaceful and orderly postwar world. It is being exercised today, with varying degrees of success, in support of the establishment everywhere of conditions of peace, security, stability, and prosperity.

The responsibilities of world leadership have not been assumed lightly, but rather as a result of the recognition that their acceptance is essential in the enlightened self-interest of the United States. It has become apparent to the American people that this country can assure security and a growing measure of well-being for itself only if it exercises its full share of leadership in co-operative international action to attain these objectives for all nations.

Because of the country's position in world affairs, the foreign policies of the United States are today decisive in determining the direction in which the world will go in the foreseeable future. Hence, it is imperative, as never before, that the government of the United States should develop a consistent and flexible framework of foreign policy. This is necessary to enable it to formulate, as circumstances require, specific foreign policies that will make best use of its power and influence in shaping international events toward the greatest practicable attainment of its general and specific objectives. Even within such a framework, however, the process of formation and execution of foreign policies is governed by the character of the fundamental principles of American foreign policy, the degree to which these or similar principles are accepted and observed as the basic rules of international behavior by the United States and by other countries, and the balance between the elements of strength and weakness in this country's power position. Beyond these there are numerous other factors, foreign and domestic, that condition the ability of the government of the United States to act effectively in the field of foreign relations.

A. FUNDAMENTAL PRINCIPLES OF AMERICAN FOREIGN POLICY

The fundamental principles of American foreign policy, as repeatedly and authoritatively stated by official spokesmen of the government, may be summed up as follows:

1. The security and well-being of the United States can best be achieved in a peaceful world order based upon mutual

respect, equal treatment, and adherence to the pledged word among nations.

2. The creation of a peaceful world order requires the establishment and maintenance of a system of organized international relations based on a developing code of international law, suitable procedures for the peaceful settlement of disputes, and collective action for the removal of threats to the peace and for the restraint or suppression of aggression. It also requires economic co-operation among nations and the removal of economic causes of international friction, which can best be achieved in an expanding and relatively stable world economy that provides for all nations nondiscriminatory access to supplies and markets, to transportation facilities, and to investment opportunities.

3. The sovereign equality of all nations should be recognized, and the territorial integrity and political independence of nations that respect the rights of others should be assured. Territorial changes should generally be made only in accordance with the freely expressed wishes of the peoples concerned.

4. The peoples of independent nations should have full opportunity to be self-governing on the basis of the free election of representative governments by free citizens enjoying the basic civil rights implicit in democratic rule.

5. Individuals should enjoy not only civil liberties within their own countries but also freedom to travel, to communicate freely with other peoples, and to follow all peaceful pursuits abroad as well as at home.

6. Self-government or independence should be granted to the peoples of dependent areas who are qualified to govern themselves. Dependent peoples not so qualified should be governed, whether in colonies or trusteeship territories, with particular regard for their welfare and development.

These statements of fundamental principles describe in sweeping terms the kind of a world for which the people of the United States are striving and which, to the greatest extent practicable, it is the central aim of American foreign policy to attain. Some of them go back to the time of the founding of the country. Some have developed over the years. The most recent in origin is the belief in collective security. Some or all of these principles have found expression in the Monroe Doctrine; in the more general doctrine of nonintervention, especially as it has developed in the Western Hemisphere; in the policy of the Open Door; and more recently, in the Atlantic Charter, in other wartime declarations, and, above all, in the Charter of the United Nations.

These fundamental principles have been applied with varying degrees of consistency by successive generations of Americans in the profound belief that the fullest practicable acceptance and observance of them by this country and by all countries constitutes the most effective way of attaining their common objectives of national security and well-being. At times they have been supported with the full might of the nation. At other times they have been neglected, especially when domestic problems have taken precedence over problems of foreign policy. Too frequently the full observance of them has been obstructed by the immense difficulties that, under the most favorable circumstances, confront the government in applying the principles in specific cases. Nevertheless, they have always constituted a basic framework of reference, which is indispensable if policy-making is to be kept from becoming purely opportunistic. In the application of them to present-day conditions, they need to be related to the sources of American power and to many other factors that condition American foreign policy decisions.

B. SOURCES OF AMERICAN POWER

The sources of American power determine to a large extent the strength of the nation's present position in world affairs. That strength is the sum total of the economic, military, and moral resources of the United States by comparison with the resources of other major nations with which the United States may be called upon to match its national strength in international relations. A fair and accurate estimate of its strength is essential if the United States government is to measure correctly its ability to assert its political influence in international affairs at any given time.

In terms of its enormous industrial capacity, its still vast natural resources, and its reserves of highly trained man power, the United States has no equal in the world today. These resources provide the economic and financial power that constitutes an essential element of our national strength. This absolute superiority of economic potential that is so vital to military power will continue for a long time and for the foreseeable future the United States will be without a rival among the major nations.

In contrast to all the other large nations that survived the war, the United States suffered no physical destruction such as occurred especially in the Soviet Union, nor loss of its financial assets and investments such as occurred in Great Britain. In comparison with either the Soviet Union or Great Britain, moreover, the loss in productive man power by the United States was relatively small. American productive facilities have expanded to an all-time high and have permitted exports at a rate unprecedented in the prewar years.

The financial resources of the United States, reflecting its strong economic position, far overshadow those of any other nation and give it the role of banker for the rest of the world. Since the end of the war, American governmental contributions for foreign relief and other grants-in-aid have reached an annual rate of several billion dollars. This assistance, both as gifts and loans, has been extended to many countries, including the other major powers, and further expansion of it is now under urgent study in connection with the Marshall proposal. In addition, private American capital is available for investment abroad when political conditions are favorable. It has already started to flow into direct foreign investments, and some has been placed at the disposal of the International Bank through the purchase of bonds.

In view of the actual and relative economic weakness of the rest of the world today, the importance of America's economic position can hardly be exaggerated. This power carries with it great responsibility for the prudent use of our resources in order to achieve the reconstruction of a reasonably prosperous and stable world economy, beneficial to ourselves and to others. For political as well as economic reasons, it is necessary to recognize the fear abroad, encouraged by the Soviet Union, of the recurrence of a serious economic depression in the United States. The effects of American instability would be felt more than ever by other countries under existing world conditions of economic dislocation; and the pervasive uneasiness generated in Europe by the contemplation of this possibility is leading paradoxically to the adoption of policies aimed at decreasing economic dependence on the United States, at the very time that American assistance is recognized as essential to recovery. Inflationary tendencies in the United States or failure to make the postwar domestic adjustments that are necessary to the maintenance of a strong economy would probably have effects abroad even more disastrous than at home, with adverse repercussions on our world political position. The rise of prices has already become an issue, for not only has it reduced the purchasing power in the United States of American loans to other countries, but it has also created a domestic problem that might seriously affect the present policy of rendering economic assistance abroad.

In contrast to the growth of its economic strength, the United States has permitted the condition of its armed forces to deteriorate since the end of the war. This is an indication of national apathy toward military power, resulting from the failure adequately to evaluate armed strength as an element of national power and from preoccupation with domestic interests. It is evident in the inadequacy of the strength authorized for the armed forces and of the appropriations for their support, in public impatience to decrease or withdraw our occupation forces abroad, and in the attitude of Congress and the public toward a system of universal military training. Our over-all military establishment is still much superior to that of Great Britain, which has declined as a result of that country's weakened economic position. In comparison with the Soviet Union, the American navy is vastly superior. Our air force, however, is considered to be inferior in number of operative aircraft and of personnel, although it has a present advantage in long-range types of aircraft. Our ground forces are also greatly inferior in numbers, although better equipped. Moreover, the capacity of the major nations to employ military strength to gain political ends is not measured solely by the comparative strength of their existing armed forces. The Soviet forces, for example, are much closer to the critical areas of the world and are strategically deployed in relation to those areas.

The exclusive possession by the United States of the atomic bomb, a weapon as yet unmatched in the arsenals of other nations, compensates in some degree for its military weakness in other respects. And although the general distaste of the American people for the idea of using the bomb unless this country is first attacked greatly decreases the immense military advantage gained by its exclusive possession, nevertheless it may be assumed that our sole possession of the bomb is a factor in determining action by foreign governments that might affect the vital interests of the United States.

Neither the present capacity of the major nations to employ military force nor their potential capacity is the sole measure of strength in gaining political ends. Other factors also have great importance in present conditions. The political influence of the United States that can be exerted through its economic and military power is greatly enhanced by its moral position in world affairs. In advocating the cause of personal dignity, political liberty, and equality of economic and social opportunity, the United States has come to occupy a moral position that makes it a leader among the nations espousing these principles. The strength of this position derives chiefly from the championship by the United States of political ideas that emerged slowly but continuously for hundreds of years.

During the nineteenth century, the democratic liberal tradition reached its height in the development of free enterprise and the establishment of political democracy in the place of personal monarchic rule. The dynamic quality of the democratic tradition lay in the possibilities it offered to men as a means of determining their own political and economic destiny. But the democratic tradition has come under severe attack in increasing force with the development of fascism, nazism, and communism.

In view of the conflict between the democratic and authoritarian systems, the strength of the moral position of the United States, as an element of its power in world affairs, depends on its ability to continue to demonstrate convincingly that personal liberty, political freedom, and equality of opportunity have greater validity in terms of human welfare than the tenets of systems that deny these fundamental rights. It depends also upon an equally convincing demonstration that the democratic tradition is capable of development and of orderly adaptation to changes in social values and is thus a force making for progress, as opposed to the regressive nature of totalitarian doctrines, which combine specious promises with practices that drag mankind back to slavery and tyranny. Success in this ideological struggle is essential to the exercise of political influence by the United States in countries where authoritarian regimes have not yet been established and to the strengthening of the belief in democracy in countries where authoritarian regimes are already entrenched.

C. OTHER FACTORS CONDITIONING POLICY DECISIONS

Apart from the elements of strength and weakness in the power position of the United States, there are many other factors that condition foreign policy decisions. To be fully effective, such decisions must, of course, be broadly in harmony with the basic principles and objectives of our foreign policy and with the capacity of American power to support them. But the policy decisions made in any one case must be related to existing conditions at home and abroad, as well as to ultimate goals and sources of power. This may limit freedom of choice among various possibilities of action in connection with a particular problem. The need to obtain the agreement of other governments to features of our policies that require bilateral or multilateral action must affect the American government in the pursuit of its own policy. Consequently, although the underlying principles and objectives may remain constant, their expression in day-to-day policy necessarily varies as American interests are reinterpreted from time to time in the light of changing domestic and foreign conditions.

It is not always easy for the public to understand this need for continual adjustments in American policy. Lack of understanding of the dynamic character of foreign policy is an inherent difficulty when the degree of public control over foreign policy is very great, for public opinion does not always respond as rapidly as circumstances may require. This fact tends to generate uncertainty both at home and abroad and often causes doubt to arise of the extent to which the nation as a whole accepts the responsibilities of world leadership. For this very reason a foreign government may be reluctant to support particular American proposals because it doubts the capacity or willingness of the United States government to carry through its stated policy. Soviet propaganda has often tried to capitalize on this element of weakness in the American position.

This limitation may be expected to diminish, however, as the American people develop an increasing awareness of the country's world-wide interests, and as the United States continues to be projected into critical problems all over the world in accordance with its commitments to world-wide collaboration in reconstruction and development. But for the present, the people of the United States frequently show an unwillingness to support wholeheartedly specific foreign policies advocated by their government when this requires a substantial modification of domestic policies, sometimes to the detriment of local or personal interests. The result is that the government often adopts domestic policies that are incompatible with its stated foreign policies. This is especially true in the economic field. For example, it recently required a Presidential veto of an act of Congress to prevent the official establishment of a policy of special protection for American wool growers that would have been contrary to the general commitments on commercial policy embodied in the government's international trade proposals at the Geneva Conference.

These domestic difficulties are made all the more acute because of the geographic, cultural, and demographic factors that tend to produce sharp divergences of view among the people of the United States on foreign policy. A traditional inclination to isolationism still persists in the country, though its strength may fluctuate. It is negligible only when there is an absolutely clear threat to national security. It manifests itself also in a tendency to minimize the importance of foreign policy problems by comparison with domestic issues, in a complacent faith in the American way of life as the standard of judgment for other social systems, and in an excess of confidence in American ability to stand alone.

Politically these manifestations may result in public opposition to governmental participation in many international activities or to policies requiring positive action abroad.

There is another divisive tendency, however, in the old loyalties of the groups that make up the American melting pot. Common bonds of nationality, race, religion, or culture form the basis for organized minority pressures on the policy decisions of the government. This sometimes leads the government to take a public position on foreign problems primarily for domestic political reasons, even when it may involve inconsistencies with previously stated foreign policies. Or, even if this sort of pressure does not result in positive governmental action, it may still be strong enough to constrain the government from taking a policy position, otherwise desirable, that would run into organized opposition.

The policies of foreign governments obviously affect United States policy decisions in many important ways. This occurs when other countries abandon policies of their own that have not merely received American acquiescence in the past, but have also been of significant value in creating world conditions favorable from the American point of view. The United States must then re-evaluate its own policies in the new situation. A re-evaluation may cause no change in American policy; on the other hand, the situation may require the United States, in its own interests, to develop a new policy. This is exemplified by the decision of the United States, in view of the declining position of Great Britain in the eastern Mediterranean and the Near East, to safeguard its own interests by taking positive measures for the restoration of stability in that area.

A far more striking illustration of the effect of policy decisions by other countries on American foreign policy is offered by the Soviet Union's resumption in the past two years of its prewar role as spearhead of a world communist revolution. It was recently marked by the decision to re-establish what appears to be a modified form of the Communist International, which had been liquidated during the war. This departure by the Soviet Union from the policy, solemnly announced during the war, of nonintervention in the domestic affairs of other countries, has confronted the United States with a situation that calls for fundamental decisions on policy.

The actions and statements of other governments may also indirectly affect American policies through their effects on American public opinion. A good example is American public reaction to British policies and measures in Palestine. This sort of reaction is not likely to take account of the relation of the particular policy regarding Palestine to the broader picture of the whole Mediterranean and may accordingly increase the difficulties of the government in working out a general policy applicable to the over-all problems of the entire area.

But it is not only the inherent domestic factors or the policies of foreign governments that may hinder the freedom of action of the United States. Previous actions and commitments of the American government may also limit its ability to move in a new direction. This is apparent now in the government's concern about the continuing foreign demands for economic assistance, its ability to meet new requests being conditioned, among other factors, by the extent of previous assistance. Sometimes changed conditions make desirable a change in policy that requires the reversal of, or release from, previous commitments. Under such circumstances, the obstacles to change are likely to be especially great, with consequent delays before the government is free to take action in a new direction.

One such obstacle to rapid change often arises from the fact that in attempting to gain support for its programs, the government has frequently suffered from a weakness for overstatement in presenting its policies to the public, often promising too much from certain measures. The result has sometimes been an excess of public enthusiasm, followed by disillusionment when performance failed to equal promise or when difficulties continued despite policies that were presumed to eliminate them. This has at times caused a loss of public support and magnified the government's difficulties in exercising American influence in international relations.

On the other hand, the opposite tendency also sometimes creates difficulties. When the government understates problems until they reach the point of urgency, or fails to state at all problems that should be seen approaching, the failure to build advance support, by developing adequate congressional and public appreciation of the difficulties involved, may cause unnecessary delay in obtaining essential action in the application of government policies. This occurred, for example, in connection with the various requests by the Administration for support in policies of financial aid to European countries. At the same time, even when all essential facts are fully and forcefully presented by the government, native American skepticism and the understandable reluctance to face unpleasant or disturbing facts often prevent a majority of people from believing what they read or hear. The result of these factors has frequently been failure to appreciate the broad significance of a foreign policy that has evolved from the steady march of international events.

Even in the case of policies that receive general approval, a difficulty sometimes arises because of an unwillingness to take the action required to implement them. For example, while the policy of support to Greece and Turkey received general approval, there was distinctly less enthusiasm for the necessary appropriation of funds that was required to underwrite the policy.

A similar difficulty also arises in the case of a policy that involves only minor problems if restricted to a narrow area but contains major implications if by setting a precedent it is allowed to extend to a wider area. The government may be handicapped in taking a decision in the specific case by the fact that generalizing the decision may make the policy impracticable or may arouse opposition that would not be evoked in the specific case.

There are also serious limitations, inherent in our constitutional structure, that affect governmental action in the conduct of foreign relations. The division of responsibility and authority resulting from the separation of powers in the federal constitution greatly hampers the efficient handling of foreign policy problems. This makes it more essential than ever that American policy should be characterized by continuity, dependability, and speed of decision. However, the division of power between the Executive and the Congress, especially when complicated by differences in political party control, necessitates a difficult and time-consuming procedure when any attempt is made to co-ordinate policy decision and application between the branches of government.

This situation is intensified by the greater interaction of foreign and domestic policies in recent years and by the new importance of international conferences and organizations in the conduct of the country's foreign affairs. These developments increasingly involve the Congress both in making policy decisions and in implementing decisions taken by the Executive Branch in the conduct of relations for which it is constitutionally responsible. Congressional action is required in such forms as the appropriation of funds, confirmation of appointments, ratification of treaties, and the enactment of requisite domestic legislation. Within the Executive Branch itself there is also a considerable problem of co-ordination, now more complicated than ever by the extension of international problems into the purview of practically every department in the Executive Branch. Co-ordination here is basically a problem of good administration, just as it is in matters of domestic policy, although deficiencies in coordination with respect to foreign affairs are often likely to have more serious repercussions.

All these factors constitute important limitations on the ability of the government of the United States to act effectively in foreign affairs. On occasion, they impair or even imperil, in varying degrees, the attainment of the country's basic objectives. Perhaps the greatest danger they present, however, lies in the fact that their existence may disastrously mislead aggressive foreign powers into actions based on the assumption that the United States, with all its actual and potential power, will not take decisive action even under great provocation. This grave error was made by Germany during World War I and by both Germany and Japan during World War II.

A factor of the utmost significance to the position of the United States in world affairs, and therefore to its own national security and to the preservation of world peace, is the success of the government and the people of this country in making it unmistakably clear that the fundamental principles behind our foreign policy objectives command the adherence and support of the nation, no matter how imperfectly they may on occasion be applied in the determination and execution of specific foreign policies. An important positive element in the present situation is the fact that the American public is more willing to support their government in action to promote peace, security, and economic advancement through comprehensive international organizations and agencies than to support action with precisely the same objectives taken unilaterally or under arrangements with selected countries only. This is borne out by public response to American initiative in this field during and since World War II. It is, of course, in sharp contrast to the American public attitude in the years immediately following World War I.

Of even greater importance from the standpoint of all future American foreign policy decisions is the widespread and enduring faith of the American people in the democratic ideal of freedom, liberty, and justice. This faith remains the solid foundation upon which all policy decisions can be based and a strong bid for world leadership in the cause of peace and security can be sustained. It will continue to be the greatest positive domestic factor in conditioning these decisions and in making it possible to develop internally an increasing awareness of the American position and role in world affairs.

The day-to-day conduct of foreign relations through the formation and execution of specific foreign policies requires the application of fundamental principles and the formulation and interpretation of general and specific objectives in the light of such factors as those described above. Policy-makers are involved in a continuing process of taking decisions on the numerous issues and problems that arise from relations with foreign governments, either directly or within international organizations. In Part III, consideration is given to the major issues and some of the specific problems confronting the United States in the autumn of 1947.

PART III

MAJOR ISSUES AND PROBLEMS IN FOREIGN POLICY CONFRONTING THE UNITED STATES

The major problems in foreign policy that confront the United States today arise from the aftermath of the war and the formidable tasks of reconstruction, and from the attempt to develop an organized international system for the maintenance of peace and security. These problems vary greatly in importance and urgency. Those selected for discussion in this part have been chosen because they are already the subject of important action by the United States or seem likely to require action in the near future. Some more remote problems have also been included because consideration of them may affect decisions to be taken on more immediate ones.

For convenience in discussion these problems have been arbitrarily grouped, under the broad issues to which they relate, in four principal fields of international relations:

A. Problems involved in the final peace settlements, including the terms of treaties still to be concluded and the implementation of peace treaties now in effect.

B. Economic, social, and related problems embracing the many activities involved in rehabilitation of the world economy and in promotion of the general welfare through international collaborative effort and appropriate national policies and measures.

C. Political problems pertaining to the international status of sovereign states; to the constitutional relationships within certain of these states between the metropolitan areas and dependent or non-self-governing territories; to the status of individuals; and to propagandist activities.

D. Security problems resulting from the power imbalance created by the concentration of power in three nations and from the thus far ineffective attempts to create a system of collective security.

A basic difficulty in attempting to classify the numerous problems facing the government at any one time is that most of them have both geographic and functional aspects. An attempt has been made here to keep a balance between the two, for although the classification selected is functional, there are problems in each section where the geographic aspect is emphasized. In other cases the more important points of inter-relationship, both functional and geographic, have been indicated. Such a grouping of the broad issues and their related problems is believed to be less confusing than an unselected listing or one wholly geographic or functional.

No country or region is treated in all its aspects as one broad problem. Only the aspect that appears to be most significant at this time for the United States, from the point of view of current or expected future action, is listed as a problem in one or another of the main fields. For that is the way in which a particular problem usually presents itself to the policy makers. It is for this reason that the general problem of Soviet-American relations, for example, is considered not as a whole, but as it is reflected in numerous specific problems that arise where their respective interests and attitudes conflict. The over-all status of Soviet-American relations can thus be seen as the resultant of all these particular problems.

For each individual problem there is a brief summary of some main elements and a statement of what appears at this time to be the significant questions that the government must answer in its search for a solution. The method of presentation is intended to emphasize certain basic premises on which foreign policy decisions must necessarily be founded: (1) that problems do not arise spontaneously, without some background of previous development and action; (2) that the whole array of problems cannot be neatly and completely solved, either all at one time or seriatim, but must be taken up as urgency dictates or circumstances permit; and (3) that no problem exists independently of others and the consequences of decision in any one case must, therefore, be considered in relation both to our general guiding principles and objectives of foreign policy and to its probable effects on other current or developing cases.

A. PROBLEMS OF THE PEACE SETTLEMENT

The issues and problems of the peace settlements have been segregated for two reasons. First, they arise in connection with international negotiations that are limited to the victor nations and are for the purpose of determining the future status of the defeated Axis powers and of nations formerly annexed by the latter. Second, they have implications that go far beyond the specific terms on which these states are to be formally re-established as members of the family of nations, and they involve over-all and urgent questions in the relations of the major victors.

The Broad Issues

The peace settlements will directly and immediately affect many questions involved in the rehabilitation of neighboring countries in Europe and the Far East. Indirectly, and from the longer view, peace-settlement decisions will affect all countries through their world-wide repercussions on political and economic reconstruction and on future international peace and security.

The issues involved in making peace settlements are of peculiar importance in that they bring to a focus within a limited and critical area the differences between the major nations. The peace negotiations present an opportunity to accommodate these differences within the framework of a common interest--the formal restoration of peace in the manner best calculated to avoid another conflict. Negotiations to date, however, have only emphasized the rifts between the major nations even in cases where treaties have actually been agreed upon, and have caused dissension between them and the smaller victor nations. The two general issues presented by the peace settlements may be stated as follows:

1. What terms should the United States seek in the settlements for (a) Germany (b) Japan (c) Austria and (d) Korea?

2. What should be the policies of the United States on the problems involved in implementing the treaties with Italy and the Axis satellite states?

1. Peace Settlement Negotiations

The problems of the peace settlements need to be considered in the light of the basic objectives of the United States in this field. Foremost among these objectives has been that of preventing Germany or Japan from ever again becoming powerful enough to constitute a menace to the peace of the world, while at the same time enabling them to become peaceful and stable national entities. Merely keeping these states weak, however, offers no solution. Weak states are themselves unstable, and they affect the stability of a wider area around them. They are almost always subject to the influence of powerful states in a number of important respects. In the case of Germany and Japan, if their highly developed industries are too drastically reduced through reparation removals or demolition of plant and equipment, these states may become economic burdens on the rest of the world.

Another major objective of the United States in the peace settlements is to restore the sovereignty and independence of the nations that had been formerly annexed by Germany and Japan. This is the case in Austria and Korea.

a. Germany

The wide range of critical problems in the negotiation of a German settlement are treated in a special problem paper in Part IV.

b. Japan

The broad objectives of the United States in regard to Japan as laid down in the initial directive to the Supreme Commander for the Allied Powers are: "to insure that Japan will not again become a menace to the United States or to the peace and security of the world"; and "to bring about the eventual establishment of a peaceful and responsible government which will respect the rights of other states and will support the objectives of the United States as reflected in the ideals and principles of the Charter of the United Nations."

These objectives are to be achieved principally through the complete disarmament and demilitarization of Japan and the elimination of militarist influence from political, economic, and social life; the limitation of Japanese sovereignty to the four main islands and "such outlying islands as may be determined"; the development among the Japanese people of a desire for individual liberties and respect for fundamental human rights; and the provision of opportunity for the Japanese to develop "an economy that will permit the peacetime requirements of the population to be met." Subsequently these objectives were embodied in a decision of the Far Eastern Commission on June 19, 1947 and officially endorsed by the other governments principally interested in the peace settlement with Japan.

1) Treaty Terms

The decisions on the numerous questions involved in the Japanese settlement must be related to the situation in Japan, as well as to the objectives of the Allied nations. The Japanese government has been reconstructed within the democratic framework of a new constitution. For the framework to become more than a mere form, however, real respect for individual liberties must be developed. Furthermore, the material foundations for a political democracy will not exist in Japan without the restoration of a viable economy. The prewar Japanese economy was developed through extensive connections with other areas in the Far East, especially those within the former empire, such as Formosa and Korea, or under Japanese political domination, such as Manchuria. The restriction of Japanese sovereignty to little more than the islands of Honshu, Hokkaido, Kyushu, and Shikoku presents a gigantic problem of readjustment, complicated by the added difficulties of overcoming the effects of physical devastation within Japan.

Trade outside the empire was also of the utmost importance to the Japanese economy before the war. In fact, the competitive position of Japan in international trade in certain commodities, especially cheap cotton textiles, had led to greatly increased foreign restrictions (including American action, particularly in the Philippines) against the entry of Japanese products. The possibility of similar action in the future must also be taken into account in considering the restoration of Japanese exports on the scale essential to the country's rehabilitation.

The question of reparation payments is important in the economic reconstruction of Japan, since reparation is to be made by the transfer of Japanese external assets and of goods, equipment, and facilities within the country that are not necessary to a peaceful Japanese economy. This requires difficult decisions regarding the general level of industry that Japan is to be permitted to retain, which involve weighing the needs of a viable Japanese economy against the objective of destroying the basis of significant industrial military potential.

Wartime commitments have already determined the future of some of the territories taken from Japan. In the Cairo Declaration of December 1, 1943, the United States, Great Britain, and China announced that the "territories stolen from the Chinese, such as Manchuria, Formosa, and the Pescadores," were to be returned to China, and that Korea, "in due course," was to become free and independent. At the Crimea Conference in February 1945, the United States, Great Britain, and the Soviet Union agreed that Southern Sakhalin and the adjacent islands should be restored to the Soviet Union and that the Kurile Islands should also be "handed over" to it. The former Japanese Mandated Islands have been placed under United States trusteeship by an agreement approved by the United Nations. The fate of the other Japanese islands has not been decided, although American naval and military authorities advocate permanent control by the United States of certain islands, including the Ryukyus, the Volcanoes, the Bonins, and Marcus Island.

Final decisions on these territorial questions and on the means to prevent Japan from becoming a military threat are likely to be affected by other matters at issue between the United States and the Soviet Union. The problem that confronts the United States may be stated as follows:

> What political, economic, military, and territorial terms should the United States seek in the peace settlement with Japan in order to (a) complete and maintain disarmament and demilitarization; (b) encourage a democratic society; and (c) develop a stable and productive economy in keeping with the political, security, and economic patterns of the Far East and the world as a whole?

2) Peace Conference Procedure

In July 1947 the United States government proposed to the ten other members of the Far Eastern Commission that a conference to discuss the Japanese treaty be held "as soon as practicable." A tentative date in August was suggested, but Great Britain requested postponement until after a Commonwealth conference, already scheduled for that time, was held at Canberra. Except for the Soviet Union, the remaining governments accepted the invitation. It protested the unilateral action of the United States, "especially since the Council of Foreign Ministers, formed on the invitation of the United States, was created precisely for the preliminary work on the preparation of peace treaties, and cannot therefore be ignored in the preparation of the peace treaty with Japan." The Soviet Union suggested that the Soviet, British, and Chinese ambassadors in Washington together with an American representative decide on a date for a meeting of the Council of Foreign Ministers to consider a Japanese treaty. A second exchange of views failed to alter the situation.

The possibility must now be faced that it may become necessary to proceed with the Japanese peace settlement without the participation of the Soviet Union. This possibility must be considered by the government of the United States in the light of the problems likely to arise in obtaining Soviet acceptance of a settlement so negotiated or in applying such a settlement in the face of Soviet opposition. Consequently, the immediate question on which the government must act is the procedural one:

> If the Soviet Union cannot be persuaded to agree to direct consideration of the Japanese settlement by a larger conference, should the United States attempt to get the agreement of the rest of the Far Eastern Commission members to act without the Soviet Union?

c. Austria

At the Moscow Conference of 1943, the liberation of Austria and the restoration of its independence were promised by the United States, Great Britain, and the Soviet Union. After the end of hostilities, however, Austria was occupied by these three powers and France under a zonal system similar to that applied to Germany, pending the conclusion by these four nations of an Austrian peace treaty.

Although the Soviet Union asked for recognition of a Soviet-sponsored and communist-controlled national government shortly after the end of the war, the other Allies insisted on postponement of the establishment of a government until the quadripartite occupation had been set up. A compromise decision was taken in 1946 when the establishment of a provisional national government was permitted. After free elections had been held, a representative government was recognized by all the major Allies. The freedom of action of this government is limited only to the extent that the occupation authorities may, by unanimous vote, veto any action taken.

At the Moscow Conference of Foreign Ministers in the spring of 1947, progress on an Austrian treaty was blocked by disagreement on the definition of German assets. The United States, Great Britain, and France claimed that former Austrian property seized after 1938 by the Germans under duress--even when legal forms of "transfer" or "purchase" were used--should not be classed as "German" property and hence as assets subject to reparation or war-booty claims. The Soviet Union refused to recognize the concept of transfer under duress in determining whether Austrian property is to be considered German. It was therefore agreed at Moscow to set up a Commission of Deputies in Vienna to consider the whole question, and to submit to the Foreign Ministers for approval whatever conclusions were reached.

The Soviet Union has so far refused to consider any process of compromise to resolve the disagreement; nor has it agreed that property appropriated by it as German assets shall remain subject to Austrian law, as is the case with other foreign investments and property in the country. The other three governments have taken the position that acceptance of the Soviet demands would result in the removal of such a large part of the Austrian industrial property from Austrian national control thereby preventing it from playing its appropriate part in the Austrian economy, that the country's chances of survival as an independent state would be precarious. In consequence, the Commission of Deputies has been unable to come any closer to agreement.

In addition to the assets dispute, two other important difficulties were brought to the fore in the Deputies' discussions. The Soviet Union has supported Yugoslav reparation claims, which the other members consider to be a violation of the Potsdam Declaration concerning reparation from Austria. Furthermore, the Soviet Union has rejected a proposed guarantee of the political and economic independence and territorial integrity of Austria by the signatories of the treaty.

The delays over agreement on the Austrian treaty, however, have probably been caused more by considerations of the strategic position of Austria on the continent of Europe and its position on the western border of the Soviet orbit, than by the disagreements over the terms of the treaty. In line with its commitment to see Austria restored as an independent state, the United States must oppose the consolidation of Austria with the Soviet-controlled economic and political bloc in Central and Eastern Europe. Therefore, the importance of the problem to the United States goes far beyond the fact that failure to agree on the treaty necessitates the continuation of American expenditures for costly occupation and economic assistance. In the light of these considerations, the problem that confronts the United States is:

> What further steps, if any, should the United States take to implement its pledges concerning Austria, especially if the meeting of the Council of Foreign Ministers in November 1947 fails to break the present deadlock?

d. Korea

The United States, together with Great Britain and China, is pledged to assist in the establishment as soon as possible of an independent Korea, with a government representing the freely expressed will of the Korean people. The Soviet Union is likewise pledged by the terms of the Potsdam Declaration, which reaffirmed the Cairo Declaration. Following the Japanese surrender, Korea was occupied by American and Soviet forces under a bi-zonal system. This bi-zonal arrangement partitioned the country because the Soviet and United States occupation authorities were unable to agree to the joint measures necessary to the political and economic unity of Korea.

At the Moscow Conference in December 1945, it was agreed to establish a joint Soviet-American commission to supervise the formation of a provisional government as the first step toward an independent Korea. The commission was also directed to prepare proposals for an "agreement concerning a four-power trusteeship of Korea for a period of up to five years." But the commission has been blocked almost from the start of its work by disagreement on the Korean representatives to be consulted by it. In an effort to resolve the stalemate, the United States proposed that a four-power conference, to include China and Great Britain should be held early in September 1947 to expedite the establishment of a provisional Korean government. China accepted the invitation officially, and Great Britain unofficially, but the Soviet Union rejected it.

In September 1947 the United States referred the problem of Korean independence to the United Nations General Assembly as a matter requiring the impartial judgment of the other members of the United Nations. Although the Soviet Union opposed the American proposal as a "direct violation of the Moscow Agreement on Korea," the General Assembly agreed to take up the matter at its current session. After the action of the General Assembly, the Soviet Union, through its delegation on the Joint Commission on Korea, proposed the simultaneous withdrawal of all foreign troops from Korea at the beginning of 1948, in order to "give the Koreans an opportunity to form themselves a government with the help and assistance of the Allies."

From the point of view of the United States, failure to establish a unified Korean government on a sound basis would not only damage American influence and prestige in the Far East, but it would also necessitate the continuance of a costly occupation and possibly create potentially serious security problems for the United States. The questions posed by these developments are:

> What conditions should the United States be willing to accept to reach agreement on the achievement of Korean independence?
>
> In the event that agreement is not reached in the near future, should the United States attempt to establish some form of provisional government in its own zone of occupation?

2. Implementation of Peace Treaties

The peace treaties for Italy, Bulgaria, Hungary, Rumania, and Finland came into force on September 15, 1947. The conclusion of the treaties, however, did not resolve many of the conflicts of interest that arose during the negotiations. Some issues still remain to be settled, such as the disposition of the Italian colonies and the nature of an international regime for the Danube. One of the most difficult aspects of implementation and enforcement, the establishment of the Trieste regime, was turned over to the United Nations. Problems may also arise that will relate to the interpretation or possible revision of the treaties.

a. The Italian Treaty

The major problems left unsettled by the Italian treaty concern the disposition of the former Italian colonies and the implementation of the agreement on the Provisional Regime, Permanent Statute, and Instrument for the Free Port of Trieste.

1) Colonies

Italy's African colonies are at present being administered by Great Britain. They comprise Libya, Eritrea, and Italian Somaliland. In drafting the Italian treaty the Council of Foreign Ministers agreed that the territories should come under some form of United Nations trusteeship, but it was unable to reach decisions on the administering authorities or on the details of administration. The treaty therefore provides that within one year after its entry into force the Big Four shall jointly determine the final disposition of the colonies in accordance with the wishes and welfare of the inhabitants. If the four powers are unable to agree within this period, the problem is to be turned over to the General Assembly of the United Nations, and its decision will be binding.

Although the four powers, at the time of the treaty negotiations, proposed methods so different for administering the colonies that no decision could be reached, the positions taken were not hard and fast. Discussion of the question can therefore be easily resumed where the Paris meeting of the Council of Foreign Ministers ended.

The question of the colonies involves several factors of importance to the United States, in particular the strategic positions of the great powers in the eastern Mediterranean and in the Red Sea. The problem therefore is:

> What position should the United States take on the general character of trusteeship, the administering authority, and the administrative arrangements for each of the former Italian colonies?

2) Trieste

The antagonisms developed in the negotiation of the compromise on Trieste have been increased by dissatisfaction with the solution finally agreed upon. So long as this general situation exists, however, there would seem to be little advantage in seeking to reopen negotiations to alter the present compromise.

Problems of implementation and enforcement of the Trieste regime have been turned over to the United Nations Security Council. The uncertainty of adequate resources to meet the financial obligations involved in establishing the Free Territory causes one problem here, but the principal obstacle to establishing the Trieste regime has been the failure to appoint a governor upon whom the permanent members of the Security Council must agree. The question therefore is:

> What means are available to the United States to facilitate the appointment of a governor and to assure the ability of the United Nations to carry out the financial responsibilities and to take other action necessary to the establishment of the Trieste regime?

3) Possible Revision

The possibility of revision of the Italian peace treaty has been discussed for some time. The most recent manifestation of interest in this question is the proposal made by Argentina and supported by certain other Latin American countries, under which the current session of the United Nations General Assembly would recommend that the parties to the treaty hear the Italian proposals for revision. The United States voted for the consideration of this subject by the Assembly, the Soviet Union against it, and Great Britain and France abstained.

Whether revision should be considered at this time requires a careful weighing of the advantages of possible improvements in the Italian treaty terms against the disadvantages of upsetting compromises in all the peace treaties so far concluded. A decision to proceed with consideration of revision would have to be made in the light of the current political situation, the difficulties encountered in the original negotiation, and the unfavorable repercussions in the various treaty countries that might result from continued uncertainties pending negotiations for revision. The question confronting this country therefore is:

> Should the United States give active support to the revision of the Italian peace treaty at this time; and, if so, what specific changes should it be willing to accept?

b. The Danubian Regime

For many years before World War II, there had been an international regime for the Danube River in which certain European nonriparian states, including France and Great Britain, but not the Soviet Union were represented. At the time treaties for Rumania, Bulgaria, and Hungary were being negotiated, the Soviet Union protested against the subject being included in the treaties on the ground that arrangements relating to the Danube should be the prerogative of the

Danubian states, including the Soviet Union and Germany. Great Britain, the United States, and France were strongly of the opinion that the treaties should include provision for both freedom of navigation and a new international regime. It was clear that the participation of the riparian states alone might not provide under present conditions an adequate guarantee of free navigation to the vessels of all countries especially since the operation of all shipping in the Danubian countries, except in upper Austria, has passed into the hands of joint companies under Soviet control. Moreover, both elements of the problem--freedom of navigation and an international regime--are closely related to broader questions of freedom of commerce and the general most-favored-nation provisions of the treaties.

The compromise was to include in the treaties with Hungary, Rumania, and Bulgaria provisions guaranteeing freedom of navigation; and to call within six months of the effective dates of the treaties a special conference to set up an international regime for the Danube. It was agreed that in addition to the Danubian states proper, the future conference would include the other members of the Council of Foreign Ministers.

The position of the United States in relation to this problem has three aspects. So long as this country has occupational responsibilities in Germany and Austria, it must consider the Danube from the point of view of the riparian states. The government of the United States has expressed strong views in favor of freedom of navigation in waterways in general, particularly in Europe. At the same time, there are wider implications of the decisions made on the Danube in terms of international commerce in general. The question that confronts the United States may be stated as follows:

> What provisions for an international regime for the Danube should the United States support at the special conference?

B. ECONOMIC AND SOCIAL PROBLEMS

In the field of international economic and social relations, the United States is called upon to make decisions on a wide range of economic issues, not as isolated problems, but in the light of the special preoccupations of countries employing state trading methods, countries in serious balance of payments difficulties that are unwilling to submit themselves to deflationary pressures, and countries embarking on untried and ambitious programs of economic development. There is also a growing realization that industrial and social conditions within each country affect other countries and that the solutions of social and economic problems traditionally regarded as matters of domestic concern must, henceforth, involve international co-operation and understanding. Hence the United States is today confronted with economic and social problems that are more numerous, more closely interrelated, and more fraught with political and security significance than ever before.

The particular form that many of these problems take and the urgency of many of the policy decisions that they require are the consequences of the immediate difficulties of postwar reconstruction. If the remaining reconstruction problems are to be solved in a satisfactory manner, in harmony with longer-run objectives, the pattern of international economic relations must not be set by decisions that take into account only the very immediate and pressing requirements of transitory situations.

The Broad Issues

World reconstruction and development are of the first order of importance for American political, security, and economic interests. The anxieties of many countries regarding their ability to carry through to completion programs of reconstruction and the conversion of their economies to a peacetime basis have become a major factor in international relations. Many countries are turning to the United States with hope and expectancy for large-scale material and financial assistance to supplement their inadequate domestic resources. But at the same time there is widespread apprehension regarding the conditions that may be attached to the assistance because of the bearing that they may have on newly developing forms of social and economic organization, and on longer-range plans for economic development. In Europe these hopes and apprehensions have taken on the utmost significance for American foreign policy as a result of the Marshall proposal and subsequent international developments.

There has also developed a conflict of national claims for outside assistance in reconstruction on the one hand and development on the other. In the countries that have suffered physical damage or serious economic distortion from the war, the processes of reconstruction and development cannot be rigidly separated, but require combined programming. On the other hand, underdeveloped countries that are not faced with the problem of reconstruction have insisted that their economic development should be given equal priority with reconstruction in war-devastated countries, especially when reconstruction in the latter is combined with economic development. The underdeveloped countries have even enunciated the doctrine that fully developed countries, notably the United States, have an international obligation to provide capital and technical assistance on terms acceptable to them. These new attitudes of the receiving countries will have to be taken into account in considering foreign applications for American aid.

The scope and character of American assistance in the next few years will largely determine the nature of agreed international action that will be possible over a much longer period in the field of commercial policy. It is therefore most important that the general aims of commercial policy should be agreed upon internationally before the end of the period of reconstruction and before the various national policies have become firmly set in patterns that might defeat later efforts to reach international understanding.

Willingness on the part of sovereign states to ask and to grant emergency assistance on a scale hitherto unknown and the establishment of an international code of behavior in commercial and financial relations are evidence of the acceptance by all countries of the idea that the world is a unified whole and that no country can be indifferent to the economic situation of others. There is also an increasing awareness of the interdependence between economic and social conditions on the one hand and political or security conditions on the other. Poverty breeds discontent and conduces to political violence and instability; whereas improving material welfare is believed to encourage democratic processes and in general to contribute to political stability.

The three major and closely interrelated issues of foreign economic and social policy that now require consideration are:

1. What should be the extent and character of further assistance by the United States for international reconstruction and development?

2. By what combination of domestic and foreign policies should the United States seek to achieve its objective of a multilateral, nondiscriminatory world-trading system?

3. What should be the attitude of the United States to concerted action, other than action in the fields of investment and commercial policy, for raising the standard of living throughout the world?

1. Reconstruction and Development

After V-J Day lend-lease was terminated by the United States. The instrument of mutual economic aid that had been used in prosecuting the war was therefore not to be available in postwar reconstruction. It was assumed by the United States that the provision of relief through the United Nations Relief and Rehabilitation Administration (UNRRA) would leave a manageable problem of world reconstruction that could be handled by loans, first by the United States directly and then by the International Bank for Reconstruction and Development. As time went on, however, political conditions and natural disasters increased the difficulties of recovery.

By March 1947 events had moved so far that the "Truman Doctrine" was enunciated, with attention centered at first on assistance for "political" reasons to Greece and Turkey, the urgent necessity of which had been made apparent by the British decision to discontinue support to these countries. Before long, the problem of giving support to free peoples became worldwide in scope. American policy is still in the process of being shaped to fit this wider concept in a world beset with political and economic difficulties.

a. The Marshall Plan

The policy of assistance to Europe has now taken the form popularly known as the Marshall Plan. The questions raised in connection with the plan are treated in a special problem paper in Part IV. No final decision on the total amount of assistance to be made available to Europe under the plan can be given, however, without reference to current demands for assistance from other quarters.

b. Further Emergency Assistance

There are great difficulties in attempting to measure competing demands from different countries in quantitative terms. Certain rules of thumb can be laid down, however, such as that money may be wholly wasted if it falls far short of the amount needed for the purpose, or that priorities should be established for certain kinds of purposes. By the amounts of assistance in particular cases must be decided with considerable doubt regarding the power to satisfy all claimants, actual and potential.

Total assistance by the United States to the world as a whole must be adjusted to the amount of resources that can be drawn each year from the American economy for export without consequences that might imperil the basis of the whole program. The estimate of world needs varies with the economic and more especially the political purposes that are deemed to be "urgent" and accepted as objectives of United States policy. But it may not be possible to fill all the needs so defined if this puts a strain on the American economy that is felt by public opinion to be excessive, or requires domestic policy decisions that are difficult to present convincingly as necessary in the public interest.

Although Europe has been given priority because it is industrially important to the whole world, other claimants for American help are in the offing. In the Far East, Japan, as the workshop of Asia, must be reconstructed, although with due regard to the requirements of reparation and security. In China the need for reconstruction assistance is undeniable, but there is a special problem arising out of the internal political situation. In most of the Middle East, the question is one of development to raise the standard of life, but if Soviet pressure should be reasserted in that area, action might well become a matter of political urgency as great as in Europe. And finally there is the question whether loans or assistance for development to Latin American countries or to the Philippines must have high priority for reasons derived from existing commitments.

The substantial requests for loans and credits from both non-European and European countries must be fitted into an over-all lending policy determined by the United States government. Three specific questions will therefore arise in each individual case:

> How should the United States apply the necessary tests of urgency and judgments of priority in relating each application to over-all policy?
>
> How should the United States apply to each application three economic criteria: the ability of the prospective borrower to use the loan effectively, the capacity of the borrower to repay, and the impact of the loan on the United States economy?
>
> What weight should the United States give to political and security considerations in reaching a decision on each application?

c. International Long-Term Development Projects

Article 11 of the "Draft Charter of the Proposed International Trade Organization" (ITO) provides that member states shall not impose "unreasonable or unjustifiable impediments that would prevent other members from obtaining on equitable terms access to facilities required for their economic development" and that they shall co-operate with each other and with international specialized agencies in the provision of such facilities. Many countries have endeavored to make the proposed ITO a major instrument for the economic development of so-called underdeveloped countries. The United States has taken the attitude that the ITO should not be overburdened by this function and that major responsibility, in so far as it is international, should rest with the United Nations Economic and Social Council, which has a Subcommission on Economic Development under the Economic and Employment Commission, and with existing intergovernmental specialized agencies, especially the International Bank.

This problem involves more than a mere allocation of international functions. It is related both to the development of an international code of investment and to the drive to establish what amounts to an internationally recognized right of backward countries to assistance from highly industrialized countries. The following questions therefore arise:

> Should the United States concur in making the ITO the chief international agency with responsibilities in the field of investment?
>
> Should the United States press for an international investment code, and if so, through what agency?
>
> Should the United States agree that assistance for the economic development of backward countries is an international obligation?

2. Commercial Policy

Since 1934 the policy of the United States has been to negotiate for the lowering of tariffs, within the limits of the Trade Agreements

Act, in return for concessions by other countries in tariffs, preferences, quantitative restrictions, and exchange controls. The technique was to negotiate treaties bilaterally, extending the reductions to other nations by using the unconditional most-favored-nation clause in exchange for the granting by the other nations of all the benefits of unconditional most-favored-nation treatment to the United States. The characteristics of American policy have been a special dislike of preferences and quantitative restrictions because they are inherently discriminatory; the encouragement of private trade as opposed to government operations; the condemnation of international cartels, as such, on the assumption that cartel agreements on prices, production, and marketing are inherently restrictive in international trade; and the approval under specified conditions of intergovernmental agreements on primary commodities.

Since the war, the approach of other countries to the general problem of commercial policy has been very different from that of the United States. Traditional commercial policy is almost meaningless for planned economies like that of the Soviet Union, and in many countries that carry the idea of economic planning less far, it has been subordinated to what has been called the "social accounting approach" to economic problems. In this approach, the objective of liberalizing trading methods and eliminating restrictions on trade is often completely subordinated to the objectives of full employment, economic development, and the insulation of domestic economies from economic shocks originating abroad. Extensive government participation in and control over foreign trade, regional economic arrangements, and the avoidance of cut-throat competition through international cartels appear appropriate and desirable to many countries. The necessity of maintaining exchange and trade controls during the period of reconstruction has made American long-run commercial policy objectives appear to some countries as either unrealistic or a threat by a powerful competitor to undermine desirable or even necessary national policies.

This feeling is reinforced by the fact that related American domestic economic policies have not always been consistent with our announced foreign policy objectives. This has been especially true of agricultural policy, with its generous use of subsidies to prevent high domestic costs from being reflected in export prices. To a lesser extent it has also been true of shipping policy, but this may now become a major source of conflict if large subsidies for the construction or operation of merchant ships are proposed.

The existence of sharply contrasting approaches to the problem of international trade by the major trading nations is a fact of primary importance, and it has become a matter of urgency to reach some international agreement on the longer-run objectives of commercial policy in order to impart some over-all sense of direction and purpose to the reconstruction effort itself.

a. Charter of the International Trade Organization (ITO)

The initiative of the United States in putting forward a suggested Charter for an International Trade Organization, for consideration by a Preparatory Commission for a World Conference on Trade and Employment, resulted in the preparation of a Draft Charter by a seventeen-nation Preparatory Committee that completed its work in Geneva in August 1947. This document contains the obligations that the non-state-trading countries will be asked to assume, and the corresponding obligations of the state-trading countries. It also sets forth the elements of flexibility required to take care of many of the special preoccupations of the countries taking part in the negotiations. The Draft Charter must still be submitted to the World Conference in November 1947 and must subsequently be ratified by each signatory.

The immediate problem before the Executive is to determine the attitude of the American delegation on a few major issues that were left open at Geneva, and to decide what the American position should be if issues settled by compromise at Geneva are reopened. The reservations attached to some important provisions of the Draft Charter by individual members of the Preparatory Committee, and the nature of some of the compromises reached, indicate that the field of discussion at the World Conference may be very broad. If most of the important issues are reopened the United States may be faced again with some or all of the specific problems set forth below.

1) Code of International Commercial Behavior

The Draft Charter contains a number of commitments by members governing their activities in international commerce and their domestic policies in so far as they affect the economic interests of all members. These constitute a code of commercial international behavior. All members recognize that their employment policies are of vital concern to other members and that certain broad obligations in this field must be accepted by all. They recognize that economic development is a vital factor in the expansion of trade and in raising standards of living and that certain mutual obligations must likewise be accepted in this field. Members undertake to negotiate in good faith with a view to reducing tariffs and eliminating preferences, and they undertake to avoid discriminatory practices in trade except under agreed conditions. Each member undertakes to eliminate, if possible, export subsidies and to refrain from using any form of subsidy to increase its share of world commerce; and to be guided in state-trading operations by commercial principles. Members recognize that countries in balance-of-payments difficulties may use quantitative trade restrictions under specified conditions. And finally they agree to submit certain kinds of restrictive business practices to a procedure of complaint, investigation, and recommendation; and to utilize intergovernmental commodity agreements on primary commodities only under specified circumstances and for defined objectives. The specific problem confronting the United States is:

> Should the United States be prepared to accept such a code of behavior?

2) Employment

The international repercussions of an unstable American economy and of a long-continued favorable American trade balance have led to extreme statements of the responsibility that should be assumed by the United States as creditor country. The proper division of responsibility between creditor and debtor countries for correcting situations of marked disequilibrium in international trade and preventing the international spread of depressions was a source of serious difficulty in drafting the Charter. At London and Geneva it was proposed that the Charter contain a provision under which failure by the United States to maintain a high and stable level of employment, or the existence of a sustained favorable balance of payments with the rest of the world, would be regarded as adequate grounds for discrimination against United States trade by other members of the ITO. It was further proposed that the Charter contain a provision under which the United States would accept international commitments with regard to the magnitude and timing of public works, anticyclical international lending, and international co-ordination of credit policy, as elements in its domestic employment policy.

Article 5 of the Draft Charter no longer contains the language of earlier drafts that implied special United States responsibility for the balance-of-payments difficulties of other countries, and replaces specific commitments on employment policy by milder pledges of co-operation and obligations to consult in certain situations. The question confronting the United States is:

> In the event that the earlier proposals on this subject are renewed at the November Conference, should the United States accept commitments beyond those contained in the Draft Charter?

3) The Most-Favored-Nation Principle

The proposal to set up an international trade organization with less than universal membership, and the negotiation of a multilateral trade agreement among the members of the Preparatory Commission that drafted the Charter of the ITO, presented the following dilemma: On the one hand, how can member countries that do not offer equivalent benefits to other members in negotiations for reducing trade barriers be induced to do so; and how can nonmember countries be induced to assume the obligations involved in membership, if all the benefits resulting from the trade negotiations of other members are extended to them by the most-favored-nation clause? On the other hand, is it desirable to abandon the unconditional form of most-favored-nation treatment for a conditional form which in itself is a step backward from liberal trading principles? A special aspect of this problem is the position of the Soviet Union; and even if the Soviet Union is not a member, of countries having special trade relations with that country.

This issue was not settled at Geneva. A policy question therefore arises that will be less acute if the membership of the ITO is large, and more acute if it is small. The question is:

> Should the United States agree to the withholding of benefits under the ITO from nonmembers and from members failing to negotiate tariff and preference reductions with other members?

4) Quantitative Restrictions for Protective Purposes

One of the basic assumptions of the original draft charter put forward by the United States was that quantitative trade restrictions used for protective purposes are bad in principle and should not be allowed. This assumption was challenged throughout the Geneva discussions by the underdeveloped countries. In broad terms, the question is whether underdeveloped countries should be asked to submit themselves to the same set of commercial principles as fully developed countries; and if not, on what conditions they should be allowed to deviate from these principles. The specific question at Geneva was whether underdeveloped countries should be allowed without the prior consent of the Organization to apply quantitative trade restrictions, if these could be shown to be less restrictive than other permitted measures of protection. At Geneva the principle of prior consent by the Organization was maintained, but a presumption was established in favor of such restrictions, and important procedural concessions were made to the underdeveloped countries. The question confronting the United States is:

> Should the United States continue to adhere to the compromise solution of the problem of quantitative restrictions worked out in the Draft Charter?

5) American Agricultural Policy

Many parts of the Draft Charter, in which wide exceptions are made to its basic principles, are drawn to take account of the entrenched United States policy of supporting agricultural prices. At Geneva, the United States took the position that the prior consent of the Organization should not be necessary for the continuation of an export subsidy that a member felt unable to remove after a stated period. It was defeated on this issue and has entered a reservation on the point, which may bring the question again before the World Conference. While the immediate question is whether this reservation should be insisted upon at the World Conference, the basic problem is:

> Should a fundamental inconsistency in two major branches of American foreign economic policy be allowed permanently to continue?

6) Commodity Agreements

In the Draft Charter, intergovernmental commodity agreements are treated as a necessary exception to general commercial policy principles, to be used only under rigidly defined special conditions and for a restricted range of objectives. There is, however, wide support for the view that they are constructive instruments for promoting the expansion of trade, increasing economic stability, and improving the nutrition and standards of living of all peoples. This view has found expression in many of the reports and discussions of the Food and Agriculture Organization (FAO). The basic questions that the United States still has to decide are:

> Should the important trade in primary commodities be governed by principles contrary to those governing the remainder of world trade?
>
> Can the common objectives of the ITO and FAO be attained, if the the two international organizations seek to achieve them by differend, or even contradictory, techniques?

7) Cartels

Very few countries share fully the anticartel views of the United States. In particular, there is reluctance to include in the anticartel procedures envisaged under the ITO Charter, public and private monopolies (combines) and combinations in which governments participate. If public monopolies are not subjected to the same procedures as private intercompany agreements in international trade, there may be a tendency to force increasing amounts of trade into the hands of the state. At Geneva, therefore, the United States insisted on the inclusion of public monopolies in the Draft Charter and these as well as private monopolies are brought under the provisions dealing with restrictive business practices, but the whole treatment of this subject is weaker than that advocated by the United States. The compromises reached are likely to be reopened at the World Conference. The question confronting the United States is:

> Should the United States continue to insist on a more vigorous policy against international cartels than the one embodied in the Draft Charter?

8) Services

Many countries that have had to use the shipping, insurance, and communications facilities of more developed countries have long felt a grievance against the alleged exploiting and discriminatory practices in these fields. At Geneva they tried to bring such practices under the anticartel procedure of the ITO, instead of leaving them exclusively to other specialized agencies. At Geneva, the question was:

> Should services as well as goods be included within the purview of ITO, with a view to subjecting such activities as foreign lending, shipping, and insurance to the test of nondiscrimination, and to the complaint and investigation procedure that covers restrictive business practices in other fields?

Article 50 was included in the Geneva Draft Charter in order to recognize this general principle, but providing only for consultation, and in the event of failure to reach agreement, for reference of the issue to the appropriate specialized organization.

9) Powers and Voting Procedure

Another problem, which may in the long run be as important as the choice of principles, is the extent to which the powers of the Organization should go beyond conciliation, consultation, investigation, and advice. With every extension in the powers of the ITO to make recommendations binding on its members, to require prior approval for actions that are exceptions to its general rules, and to release members from their obligations to other members, the problems involved in voting procedure become more important.

The general voting question was not settled at Geneva and must be decided at the World Conference. Agreement was reached only on the point that the decision that a country is in balance-of-payments difficulties, and therefore eligible to impose, with the consent of the ITO, quantitative import restrictions, should be made by the International Monetary Fund, in which the United States casts a heavily weighted vote. Beyond that, the problems on which decisions have to be made by the United States are:

> Should the United States favor a system of one country, one vote or a system of weighted voting?
>
> Should the United States favor special majorities on important decisions?

b. Continuation of the Trade Agreements Technique

The proposal to establish an ITO arose from the impatience expressed by some countries with the alleged slowness of the process of lowering trade barriers by bilateral negotiation of commercial treaties. It was thought that faster progress would be made through an international multilateral convention that would either establish a ceiling for all tariff rates or sweep away a given percentage of the existing protective barriers of each signatory. Under closer examination this method proved to be less simple than it first appeared to be. Variations in circumstances between countries would compel numerous reservations, which would emasculate, even if they did not nullify, the barrier-reducing powers of the general convention. But in the case of the United States, a still more formidable objection was that legislative action would be necessary to supersede the Trade Agreements Act. The loss of time and risk of failure involved in such a course were deemed to be adequate grounds for rejecting it.

While the Trade Agreements technique was retained, a compromise was made with proponents of the multilateral convention through the adoption of an arrangement under which the United States and sixteen of the most important countries in international trade would simultaneously negotiate bilateral treaties with each other. This is the procedure now being employed in Geneva, where 102 separate bilateral negotiations are proceeding for reciprocal reductions in tariffs and preferences. Any trade agreements concluded are to be brought into force under a General Agreement on Tariffs and Trade, which is to be an independent instrument separate from the Charter itself and administered by an Interim Trade Committee. The reciprocal benefits granted under this Agreement are to be provisionally extended to all countries under the most-favored-nation clause; and its general clauses are to be, in effect, the articles of the Charter covering quantitative restrictions, exchange controls, indirect protection, and other provisions required to safeguard the tariff and preference rate reductions. Upon the establishment of ITO, some of the functions of the Interim Trade Committee are to be transferred to the ITO itself, and some are to be retained in an autonomous Tariff Committee representing the countries that are parties to the General Agreement. The application of the limitations in the Charter on the generalization of benefits to nonnegotiating countries and nonmembers will become important at that time.

Irrespective of the outcome of the Geneva negotiations, a policy decision will have to be taken soon on the continuation of the Trade Agreements technique. If Geneva negotiations should not result in a General Agreement on Tariffs and Trade, it will be desirable to put into force the individual agreements that were negotiated as part of the attempt to reach a multilateral agreement. Such an outcome would leave the problem of continuing the trade agreements program technically the same as if no multilateral undertaking had been attempted. In that event, it will be necessary for the United States to make a decision regarding the continuation, revision, or replacement of the Trade Agreements Act when it expires in June 1948.

Should the proposed General Agreement on Tariffs and Trade be put into effect before June 1948, procedures will have to be continued or established whereby the United States can exercise its rights under the Agreement. Furthermore, the United States should remain in a position to enter into trade negotiations with countries that are not parties to the General Agreement and to undertake further negotiations with countries that are parties to it. If the United States accepts the ITO Charter, including the critically important provision by which members undertake to negotiate with each other for the reduction of tariffs and the elimination of preferences, it will also be necessary to continue in some form the Trade Agreements technique. Otherwise, it would be difficult, if not impossible, for the United States to exercise its right to request other countries to open negotiations, or to fulfill its obligation to respond to the like requests of other countries. In any of these circumstances, the problem of whether the administration should act under delegated authority from Congress in this field, or whether Congress should retain more direct control over the details of trade negotiations than under the Trade Agreements Act of 1934, will have to be resolved. The following specific questions therefore arise:

> Irrespective of whether the ITO Charter is accepted by the United States, should the power of the Executive to make tariff agreements under authority delegated by act of Congress be continued?
>
> To what agency of government should be entrusted the responsibility for exercising the rights of escape and of withdrawal to be provided

either under the proposed General Agreement on Tariffs and Trade or under the ITO Charter?

c. International Organization in the Field of Services

1) Merchant Shipping

Concentration of merchant ship construction in the United States during the war left this country with 55 million deadweight tons of ocean-going shipping. This represents two thirds of world tonnage. Before the war, the American merchant marine constituted about one eighth of the world's active tonnage. There are now about 29 million deadweight tons in operation under the United States flag. The remainder has been sold to foreigners or is laid up.

The present operating tonnage, moreover, is not so distributed as to provide an adequate merchant fleet since there are acute shortages of a number of special types of ships, the construction of which was neglected during the war. Also, policies governing ship disposal and operation, as determined by Congress and by administrative decisions, have not permitted the most effective use of our shipping resources. There is a danger that shipping may become an obstacle to reconstruction, partly because of the heavy concentration of merchant shipping in the hands of high-cost American operators, and partly because of uncertainty regarding future American legislation. The necessity of paying high freight rates in dollars places a strain on the dollar position of many countries. The situation has resulted in heavy shipbuilding programs abroad that are a drain on scarce resources of coal, steel, and man power.

Present legislation relating to the sale and charter of war-built tonnage expires March 1, 1948, and the more general questions of policy must be raised before then.

There are also the long-run problems of the size of the American merchant marine and the international rules that might govern relations between countries in building and operating their fleets. Building and operating are interdependent in long-run policy, because it is improbable that the 10 to 12 million tons suggested for the American postwar merchant navy could be maintained without subsidies to building and operating. The United Nations Economic and Social Council has called a conference for the autumn of 1947 on the establishment of a permanent intergovernmental shipping organization, which will consider recommendations that were drafted by a temporary body--the United Maritime Consultative Council--of which the United States was a member. The United States government is therefore confronted with the following questions:

What should be the size and character of an American merchant marine adequate to serve our military and commercial requirements?

If an adequate merchant marine cannot be constructed and maintained without subsidies, should these be granted, and how would they affect our foreign economic policy?

> Should the United States government continue by other means to assist the American merchant marine? In particular, should the United States continue to require that exports financed by government loans shall be carried exclusively in American ships; or enter into intergovernmental bilateral agreements for the allocation of cargoes in the interests of American shipping, thereby giving its sanction to the general use of such agreements in international shipping?
>
> Should the United States regard private shipping pacts (that is, shipping conferences) as a matter of international concern, especially their alleged unfair and restrictive practices?
>
> In general, what should be the regulatory and enforcement powers of an intergovernmental shipping organization?

2) Civil Aviation

The Assembly of the International Civil Aviation Organization (ICAO) held its first meeting in May 1947. In the technical field the new permanent organization accepted the standards developed by its provisional predecessor body, the Provisional International Civil Aviation Organization (PICAO). In the field of general policy it took an important step in calling a special conference to meet in Rio de Janeiro in September 1947 to consider a multilateral agreement providing for the exchange of commercial rights, including the "five freedoms" of air navigation. A multilateral air transport agreement including these "freedoms" was approved by the Chicago Aviation Conference in 1944, but it was not widely accepted and was renounced by the United States in July 1946. Although experience after 1944 showed that the time was not ripe for multilateral action in this field, the principle of the "five freedoms" has been embodied in all the thirty-five bilateral air agreements subsequently entered into by the United States. The United Kingdom and other countries have also entered into many similar bilateral agreements. The questions facing the United States in the future development of ICAO are:

> To what extent should the granting of commercial air routes, as distinct from the acceptance of principles of international commercial flying, be provided for in a multilateral international agreement?
>
> To what extent should foreign air lines not substantially owned or effectively controlled by the nationals of the country of registry be granted the right to fly to the United States?
>
> To what extent may the international regulation of rates, routes, and frequencies be undertaken without stifling competition and creating monopolies not in the public interest?
>
> How might adequate international aviation facilities such as airways and airports be constructed and maintained in the interests of international air transport in areas that are not able to support them?

3) Telecommunications

As a result of modern technological advancement, the field of telecommunications has become a very broad one, in which many problems of foreign policy arise. It includes ocean cables, telegraph and telephone communications, radio in its various branches (that is, broadcasting, point to point transmission, radio-telegraph, and radio-telephone), radar, and television.

The question of the future ownership and operation of Italian ocean cables has been settled by returning these cables to Italian ownership, but the disposition of German and Japanese ocean cables remains to be settled. There are numerous other problems, highly technical in many respects, that often involve broader questions of policy. The major questions now confronting the United States are:

> What international governmental machinery might be set up to minimize radio interference and to assure the most efficient use of the limited radio spectrum in meeting the substantially increasing demands?
>
> How can international telecommunications facilities be most adequately developed through international organization in order to advance the free flow of information?
>
> Would the national interests of the United States be more effectively dealt with by the merger of all United States telecommunications facilities under a single company?

3. Social Policy

Many of the problems commonly thought of as "social" appear, upon analysis, to be primarily economic or political. This is true, for example, of the issue of basic human rights where the most critical problems are political, arising from a conflict of basic approach between the Soviet Union and the Western powers. Another example is nutrition, for however important this is as an element in social policy, the main international problems of increasing standards of nutrition are economic. There are still many questions, however, that have a primarily social content, as the following examples illustrate:

a. International Social Co-operation

For many years there has been a steady but unspectacular growth of international co-operation on social matters, such as the control of traffic in opium and narcotic drugs, and in women and children; the practice of preventive medicine, especially the quarantine and control of epidemic diseases; the spread of information concerning industrial hygiene; safety measures; and the development of labor codes and social insurance. Building upon the work of the League of Nations, the United Nations, through its associated agencies, will undoubtedly develop more effective methods of international co-operation in these fields. The FAO has already taken a special interest in working out and making known better standards of nutrition; and the Economic and Employment Commission of the Economic and Social Council has made special provision for work on urgent problems of housing.

No very serious problems of foreign policy arise from most of the constructive and positive measures of international collaboration. The United States, as a country that has already established high standards in most of these matters and with abundant personnel to draw upon, can contribute greatly to the success of these co-operative efforts to improve social organization.

In so varied a field, however, it is inevitable that there will be serious problems of co-ordinating the activities of the United Nations Organization and the various specialized agencies. In this work of co-ordination the United States will have to define its position on many troublesome but not vital organizational questions, including the relation between the work of these bodies and that of regional bodies such as the Caribbean Commission and similar bodies contemplated in other areas. These problems raise the question:

> What further steps should the United States take to make more effective international co-operation in the fields of public health, labor standards, social insurance, and similar technical elements of social policy?

b. Labor Representation in International Bodies

The United States was a member of the International Labor Organization (ILO) before the war and has taken a leading part in its reorganization as a specialized agency in relationship with the United Nations. A problem of long standing relates to the American labor representation in that organization. This has, up to the present, been the exclusive prerogative of the American Federation of Labor (AFL) as representing the largest body of organized American workers. In the first instance, this is a domestic problem, but it has foreign policy implications since the Congress of Industrial Organizations (CIO) has affiliations with the World Federation of Trade Unions (WFTU) and the AFL has not.

Since its organization, and particularly since the San Francisco Conference, the WFTU has demanded, with Soviet and other continental support, full participation in all international bodies as the world spokesman for labor on the basis of its claim that it represents 60 million workers. The United Nations Organization has refused this demand but has granted the WFTU a special consultative status. At the insistence of the United States, the same treatment has been accorded to other nongovernmental organizations, including the AFL. Sooner or later the United States government will have to define more fully its policy on the question of how the voice of labor is to be heard in international organizations, especially on economic and social questions. The problem therefore is:

> What should be the principles advocated by the United States on the question of labor representation in international bodies?

c. United Nations Educational, Scientific, and Cultural Organization (UNESCO)

UNESCO's ultimate objective is to bring the aids of science, education, and culture to bear upon the problem of achieving world peace. It aims to remove the ignorance, hatred, and fear that breed war by attacking them at their source, the individual mind, and to marshal the technical and cultural resources of the world in the interests of peace and prosperity. This ambitious program has evoked an impressive popular response in the United States.

To translate these objectives into programs of action for the organization, however, immediately raises the fundamental issue of intellectual freedom in a world of violently conflicting ideas on the subject of human rights. This issue must be constantly in the background, complicating the work of UNESCO since the organization's members are divided on this basic concept, even though the Soviet Union has never become a member and Yugoslavia participates only through an unofficial observer.

However, there are fields of activity open to UNESCO outside this area of irreconcilable conflict. But even within these limits, there are important problems of policy concerning the general program of the organization. One such problem within UNESCO today is a division between the scientific and cultural authorities on the one hand, who favor educational co-operation and the exchange of ideas by traditional means, and the exponents of education by the mass media of the press, radio, and film on the other, who wish to use UNESCO to promote mass educational movements in member countries. The opponents of the mass educational programs fear that UNESCO may be charged with being a propaganda agency, which might well lose it the national support essential to the continuance of its less controversial programs. The difficulty is how to avoid this danger, while at the same time preserving the positive advantages of international co-operation to improve educational standards and facilities throughout the world.

Another type of UNESCO problem arises from the unusual provision for national commissions of nongovernmental educational, scientific, and cultural experts, to be set up within each member country and to cooperate with their governments on UNESCO matters. Valuable though such a national body may be in an advisory capacity and for the dissemination of information and ideas, it might create an internal problem of jurisdiction and authority. The questions confronting the United States, therefore, are:

> What policies should the United States support to enable UNESCO to function most effectively on the widest practicable scale without endangering its future through the creation of national opposition?
>
> To what extent should the government of the United States feel bound by the majority views of a national commission that has no responsibility for the results of final policy decisions?

d. Displaced Persons

The millions of displaced persons requiring repatriation or resettlement at the end of the European war have in large part been returned to their homelands or given refuge, temporary or permanent, in other countries. In the autumn of 1947, it is estimated that there are still more than 1 million displaced persons to be dealt with in Europe, most of them in camps in Germany, Austria, and Italy. The International Refugee Organization (IRO), now in process of establishment to supersede UNRRA in this field, will have chief responsibility for resettling these people. Fear of renewed persecution, opposition to the present regimes in their homelands, or the fact that they may have gone willingly to work for the Germans during the war, accounts for their reluctance to be repatriated.

The discussion in the United Nations Assembly on the establishment of the IRO Preparatory Commission brought out a sharp division of opinion regarding the policy of the new refugee organization on repatriation, which illustrated basic differences between Eastern and Western European concepts of nationality. The Soviet Union rejected the idea of resettling displaced persons in foreign countries if they had refused repatriation from "hostile motives"; in its view, IRO should not concern itself with such people. The Soviet Union, as a result, has not joined the IRO Preparatory Commission.

The United States supported the opposing view, which was adopted, against compulsory repatriation and against the exclusion of individuals from IRO care because of political convictions. It is difficult in all cases, however, to screen the authentic political refugees from those who may have been wartime collaborators but now in self-preservation claim political status. British and American policy has been to repatriate indivuals against whom there is evidence of crimes, including collaboration.

Many Jewish displaced persons fervently desire to seek a new start in Palestine. The number of Jews who might be resettled in that country, however, cannot be determined simply by studies of Palestine's economic capacity to absorb them, since the immigration question is bound up with all the other explosive questions in Palestine. Moreover, only about one fifth of the total displaced persons are Jews, and their settlement would not greatly ease the larger problem.

Slowness of recovery in Europe has affected the ability and inclination of various Western European countries to offer resettlement to displaced persons. On the whole, therefore, any substantial resettlement of the remaining displaced persons probably must be elsewhere in the world. But the readiness of non-European countries to accept settlers varies. In the United States, for example, there is adequate economic capacity and still sufficient space; but there is strong emotional and political resistance to permitting any increased immigration of the displaced persons. Although the President favors the annual admission, during the next four years, of 100 thousand properly qualified individuals from the group, the Congress has not so far enacted the necessary authorizing legislation. The United States is faced with two main questions of policy:

> By what means can the United States assist the IRO to become fully effective and to obtain sufficient funds and authority?
>
> What further steps can the United States take with respect to its own immigration policy?

C. POLITICAL PROBLEMS

The attainment of the basic American objective of a peaceful world order requires the maintenance of correct and preferably friendly relations among all sovereign states, based on some minimum observance by all nations of the fundamental principles on which American foreign policy is founded. The most important among these are the sovereign equality of all nations, mutual respect for the territorial integrity and political independence of all states, and the right of free peoples to self-government and civil liberties.

The Broad Issues

In the pursuit of this objective in international political relations the United States is confronted with problems concerning the status of other sovereign states and the internal developments in them that give rise to political problems of international significance. Under present world conditions, the major political issues and problems arise sometimes from outside interference in the domestic affairs of other sovereign states in the form of threats to their territorial integrity, political independence, or free institutions; sometimes from the relations between metropolitan governments and their dependent or non-self-governing territories; and sometimes from the growth of propagandist activities amounting to a war of nerves.

In one form or another, the question of intervention dominates the major issues of international political relations at the present time. Intervention, in its legal sense, means interference by one state in the affairs of others without their request or consent. It is the element of consent that distinguishes legitimate assistance from intervention as such. Since the first World War nonintervention has become a positive policy in the form of self-denying ordinances subscribed to by all the states in the international community. This idea reached a high point of development in the inter-American system during the thirties. But at the same time, the doctrine of collective action developed and became generally accepted in international relations. The concept is now embodied in the United Nations Charter, where in the interest of international peace and security, self-denying obligations to refrain from the use or threat of force are coupled with the obligation of collective action that may in certain circumstances lead to collective intervention.

Actual international conduct, however, has not always followed the standards set by the new concept. By a broad interpretation of the meaning of "consent," a false appearance of legality has been given to acts of intervention. The promotion and support by an outside power of political groups that are willing to govern their countries in accordance with the wishes of that power, the greater use of the "police power" theory to justify intervention, the continued reiteration of the legal doctrine of unlimited sovereignty, and the use of propaganda as a political weapon have all contributed to the confusion in international affairs that prevails today. For the United States, this state of affairs raises questions concerning the possible action that may be taken to oppose unilateral intervention resulting from a warped interpretation of the legal doctrine, and the degree to which the United States should support collective intervention through either the United Nations or the inter-American system. As broad issues, these may be stated as follows:

1) In what areas, under what conditions, and by what means can and should the United States aid sovereign peoples to maintain their political independence and territorial integrity, their free choice of political institutions and governments, and their basic civil rights?

2) What action can the United States take in support of the right of self-determination of peoples qualified therefor and of the principle that peoples not yet qualified for self-rule should be administered primarily with a view to their political development and economic and social welfare?

3) What action can the United States take to counteract propagandist activities aimed at overthrowing existing regimes and changing the system of government in other countries?

1. Political Independence and Free Institutions

Although the United Nations Charter provides for collective action in the event of intervention by the use or threat of force against the territorial integrity or political independence of a state, the Organization is specifically restrained from intervening "in matters which are essentially within the domestic jurisdiction of any state," or from requiring the submission of such matters for settlement under the Charter except in cases that constitute threats to the peace. In keeping with this provision, members are specifically obligated not to use threats or actual force in their international relations. But they are not obligated to maintain any specific domestic standards of civil rights or political institutions, although one of the purposes of the Organization is to achieve international co-operation in "promoting and encouraging respect for human rights and fundamental freedoms."

Outside the Organization, significant postwar developments affecting the problem of nonintervention began with the declaration by the United States, Great Britain, and the Soviet Union at the Yalta Conference that they would jointly undertake "where in their judgment conditions [so] require," to assist European countries in establishing internal peace and in holding free elections. When specific cases arose in which the United States or Great Britain thought that joint action should be undertaken, however, the Soviet Union consistently opposed all proposals as constituting interference with the sovereign rights of the nation concerned. On the other hand, the Soviet Union constantly charges the United States with "imperialistic" interference in the internal affairs of all the nations to which the United States has given economic assistance. At the same time it insists that Soviet aid to the nations of Central and Eastern Europe is in a different category. The United States maintains, in turn, that the Soviet Union exerts undue pressure on numerous countries by external threats of force, as in the case of Turkey, by political domination through communist parties, as in Hungary and Bulgaria, or by subversive and partisan activities, as in Greece.

From the point of view of the view of the United States, the specific problems discussed here, which illustrate this general issue of intervention, vary greatly in scope, in gravity, and in urgency. The most important involve the interventionist activities of the Soviet Union in several guises. In some cases the threat is to both territorial integrity and political independence. In most cases the direct threat is to the freedom of political institutions, since communist control of the government would also constitute control of the national territory. In obtaining government control, through abuse and misuse of election procedures, and in retaining by force control once gained, there is open flaunting of democratic civil liberties.

Other aspects of the problem of intervention also confront the United States at this time. In cases such as Spain and South Africa the problems appear in the form of collective intervention. They raise the question, especially in cases involving the protection of human rights, of how far the United States is prepared to go in accepting collective intervention against itself, for the United States cannot consistently advocate a type of action against others that it would not allow others to take against itself.

a. France

Domestic instability, combined with a strong sentiment against becoming involved in another war, causes the French to view with special apprehension the prospect of the formation of two hostile world blocs. The desire to prevent such a split, and thus to avoid any commitment that would align it on one side or the other, has prompted the French government to propose compromise solutions on many critical problems of Soviet-American disagreement. This has been especially noticeable in connection with questions relating to the peace settlements and with the early steps in the formation of the Committee of European Economic Co-operation, in response to the Marshall proposal.

The French communists, although greatly outnumbered in the electorate by noncommunists, are united and well-organized and they constitute the most numerous party in the French National Assembly. They also control the labor movement. Until May 1947, the Communist party was represented in a coalition cabinet. At that time, however, following their break with the rest of the government, the cabinet was reconstituted without them. But the political situation in France is still unstable, and the possibility that the Communist party may come into power cannot be excluded.

The United States has already given France substantial economic assistance since the end of the war, in the belief that the economic revival of the country is the best guarantee of its political stability. The outcome of the French internal situation is of importance to the United States from two points of view. First, the United States needs the political support and collaboration of France in European and world affairs. If France succumbs to communism, a great bulwark of democracy will have fallen in Europe, and the Soviet Union will be placed in a position to dominate all of Western Europe. Second, from the strategic standpoint, Soviet control of France would alter the entire position of the United States in relation to Europe as a whole and to Germany in particular. The situation would be analogous to that created in World War II by the loss of France to Nazi conquest. The question that faces the United States at this time, therefore, is:

> What further action should the United States take to assist France in stabilizing its internal situation?

b. Italy

The basic problem presented to the United States in Italy is similar to that in France, but Italy relies even more heavily on American aid. This aid is sought, not only to assist in the restoration of economic and financial stability, but also to ease the burden of the peace treaty and to support Italy's desire to re-enter the community of nations. In view of the unsatisfactory political and economic conditions in Italy, its state of disarmament, the extent of the communist influence, and the constant threat of the strong Yugoslav army, the withdrawal of Anglo-American occupation troops by December 1947 might have serious consequences.

The Communist party has grown rapidly and now controls much of the labor vote in Italy. In September, after instigating several important strikes that threatened serious economic disruption, the Communist party attempted in parliament to upset the government but was not successful. The communist threat, however, has by no means been removed. From the strategic standpoint, communist control of Italy would mean a penetration of Soviet power into the Mediterranean area that would provide a base for further expansion and threaten the vital sea communications of the Western nations. Its political effects on the unstable French situation might also be serious from the American viewpoint.

The United States has already given much assistance to Italy in the form of direct financial aid and also by waiving various financial and reparation claims against Italy. The United States must now consider:

> What further measures should the United States take to prevent Italy from gravitating into the Soviet orbit?

c. Greece

A commission of investigation sent to Greece by the United Nations Security Council, reported early in the summer of 1947 that the internal disturbances were caused primarily by illegal assistance and support furnished by Yugoslavia, Albania, and Bulgaria to the groups fighting the Greek government. The commission recommended that a continuing border commission be maintained in the area, with access to all four countries concerned, in order to prevent further incidents. The report was the subject of prolonged debate in the Council, and the Soviet Union vetoed all proposed action.

A new coalition government was formed in September 1947 and an offer of amnesty was made to all "partisans" in an effort to stabilize the situation, but the internal disturbance continues. The financial aid and technical and military assistance being furnished by the United States to the Greek government has not yet had time to become fully effective politically or economically. Meanwhile, on the initiative of the United States, the matter was finally dropped from the Council's agenda and taken up by the General Assembly in its current session.

Greece is an important political problem to the United States because, in the words of President Truman, "the disappearance of Greece as an independent state would have a profound effect upon those countries in Europe whose peoples are struggling, against great difficulties, to maintain their freedom and their independence while they repair the damages of war." Further importance arises from the strategic position of Greece in the eastern Mediterranean, which has long made it an object of Soviet ambitions. If Greece succumbed, Soviet influence would be complete in the Balkans and the way would be open for Soviet penetration in the eastern Mediterranean and the Near East.

In the light of the foregoing considerations, the question therefore is:

> What further steps, if any, should the United States take to aid the established Greek government in resisting armed attack from outside or attempts to overthrow it from within, and at the same time to safeguard the related American objectives of support of the United Nations and the promotion of representative governments?

d. Turkey

Although Soviet efforts to obtain a Mediterranean outlet have recently been focused on Greece, the Soviet Union for some time has exerted pressure on Turkey, particularly in connection with the Dardanelles question. The immediate Soviet aim appears to be to obtain a revision of the Montreux Convention of 1936 regarding the international regime for the Dardanelles. At the Potsdam Conference the United States, Great Britain, and the Soviet Union agreed to exchange views on revision of the Straits regime, both with Turkey and with one another. These exchanges resulted in a diplomatic deadlock late in 1946, with Soviet proposals for revision opposed by the other three states. More recently, in connection with aid to Greece, the United States has been furnishing aid to Turkey for the purpose of easing the strain on the Turkish economy caused by the burden of keeping large military forces mobilized in the face of Soviet threats and demands.

The United States has a vital interest in the Turkish situation. It relates to the broad political question of nonintervention and to the strategic considerations that arise from the position of the Soviet Union in the Mediterranean and the Near East. The question confronting the United States, therefore, is:

> What steps, if any, should the United States undertake if further assistance to Turkish resistance against outside pressure appears to be necessary?

What should be the United States position if revision of the Montreux Convention is again proposed?

e. States in the Soviet Orbit (Finland, Poland, Czechoslovakia, Bulgaria, Hungary, Yugoslavia, Rumania, and Albania)

Commitments entered into at Yalta, Potsdam, and Moscow by the United States, the Soviet Union, and Great Britain were designed to protect the rights of certain of the liberated European nations and eventually the former enemy states to hold free elections and to form representative governments. The Soviet Union, despite its commitments, has not hesitated to use the Red Army and secret police to install and maintain communist, or communist-dominated, regimes, usually through the utilization of local communist parties, nominally national in membership and in aims.

Although the peace treaties for the satellite countries provide for free elections and general civil rights, these provisions have not been fulfilled in the states in the Soviet orbit, and the numerous British and American notes of protest on specific instances of violation have not resulted in any improvement in the situation. Except for Albania, however, the United States has recognized, with reservations, the established governments in all the countries of the area. While for propaganda purposes recognition may be misinterpreted by the existing governments as approval of their regimes, the advantages of recognition appear to outweigh the disadvantages at this time. The United States made its position clear when, in re-establishing diplomatic relations with Bulgaria, it stated that recognition was not to be taken as condoning the particular type of government. American representation in these countries serves to ensure continued contact with the people and to provide a valuable source of information. The official presence of the United States may also help to obtain better implementation of the peace treaties and to curb somewhat the widespread "liquidation" of opponents of the existing regimes.

Soviet control of states in Eastern Europe was clearly demonstrated in connection with the formation of the Committee of European Economic Co-operation. The refusal of the Soviet Union to participate was followed by similar refusals from all the other states, although Poland and Czechoslovakia had openly indicated a desire to participate.

The problems in Eastern Europe are important to the United States because they involve fundamental principles of American foreign policy. The demoralizing effects upon the structure of world peace of such high-handed acts as the flaunting of treaties, the arming of insurrections, and the general terroristic activities that have been carried on, especially in Yugoslavia and Bulgaria, cannot but concern the United States. In addition to the political instability that has been produced, the foreclosing of trade and general economic opportunities in these countries to the nationals of other states adds to the difficulties of economic reconstruction and creates special economic problems in implementing the treaties and in protecting foreign rights. Furthermore, the consolidation of Soviet control in these countries, combined with indications of further westward penetration, raises important questions of the security of the European nations that are still free. In view of this general situation, the United States is confronted with the following question:

> What further means, if any, are available to the United States to assure that commitments relating to free elections and civil rights are carried out?

f. Iran

The political independence and territorial integrity of Iran have been threatened by Soviet pressure, applied mainly through the support of an internal revolutionary movement in the province of Azerbaijan. In 1945 there was an attempt, aided and abetted by Soviet military forces stationed in northern Iran under wartime agreements, to separate Azerbaijan and set it up as an autonomous state. The situation in Iran was the subject of action by the United Nations Security Council on two occasions early in 1946. While the Council was considering the matter for the second time, Iran, under extreme Soviet pressure, agreed to settle the dispute by negotiating directly with the Soviet-sponsored "government" of Azerbaijan; and by the formation, subject to the later approval of the Iranian parliament, of a joint Soviet-Iranian company to exploit the oil resources of Northern Iran. Following this agreement, Soviet troops were withdrawn from Azerbaijan in May 1946 in accordance with the terms of the Tripartite Treaty of 1942. Direct negotiations between the Iranian authorities and the autonomous "government" of Azerbaijan were unsuccessful, but when the Iranian government finally dispatched military forces to occupy the province in December 1946, the local "democratic" regime, no longer enjoying the protection of Soviet troops, collapsed virtually overnight.

The Soviet Union continues to press Iran for ratification of the oil development agreement and has also sought special concessions for air services in Iran. Although the United States is interested in obtaining oil and other economic rights in Iran, its primary concern is in preserving the independence, sovereignty, and territorial integrity of that country, which are necessary to world peace and to the development of American economic relations with Iran. Since 1941 the government of Iran has turned more and more to the United States for moral and material assistance. In the light of the foregoing considerations:

> What steps, if any, should the United States take to strengthen Iran economically and politically to prevent the country from becoming a source of international friction?

g. China

The problem of China, arising out of the prevailing chaotic conditions that adversely affect economic recovery and political stability, is treated in a special problem paper in Part IV.

h. Spain

In December 1946 the United Nations General Assembly condemned as "fascist" the Franco regime in Spain and recommended that all members of the United Nations recall their chiefs of mission accredited to that country.

In compliance with this recommendation, all members of the United Nations except Argentina withdrew their ambassadors from Spain.

In an attempt to offset the effect of the action taken by the United Nations, Generalissimo Franco submitted to a popular referendum in July 1947 a proposed law of succession, which declared Spain a traditional monarchy and gave him as Chief of State the right to choose his own successor. By thus confusing the issue, it was possible for Franco to announce that "probably" more than 80 per cent of the registered voters approved the measure and thereby for him to claim that they approved him as Chief of State. In view of the way in which the matter was presented and of the pressure exerted on the voters, the results of this ballot were highly questionable.

Notwithstanding the probability that the overthrow of the fascist Franco dictatorship would be welcomed by the Spanish people, a successful revolt could hardly be achieved without extensive foreign aid and further heavy cost in lives and property. In addition, there is the fear that in the event of violent revolution the present regime might be superseded by an equally undesirable communist regime. In the light of the important geographic position of Spain, especially its relation to Gibraltar, the advent of a communist regime would seriously alter the security situation in the Mediterranean. In the light of the foregoing considerations:

> What policy should the United States adopt as regards further action to bring about democratic political reform in Spain?

i. South African-Indian Controversy

There are in South Africa about 280,000 Indians, mainly in Natal, the descendants and followers of coolie laborers who began emigrating to the country in 1860. For a generation, efforts have been made to improve the treatment of Indians who have suffered from the discriminatory racial policy pursued by South Africa.

In 1946 the South African legislature adopted the Asiatic Land Tenure and Indian Representation Act, providing for the restriction of residence and land ownership by Indians except in scheduled free areas in Natal, and for Indian representation in Parliament only by white representatives. The government of India thereupon lodged charges of discrimination with the United Nations Assembly. In December 1946 the General Assembly took note of India's complaints. It declared that South Africa should conform to the United Nations Charter and asked both governments to take action to resolve their difficulties and report back to the General Assembly.

The problem is important in presenting an issue on which the United States itself is vulnerable. If the United States supports the United Nations General Assembly in assuming jurisdiction in the matter, it implies American readiness to permit the United Nations to intervene in this country in similar cases. That question was not disposed of by the Assembly's action of December 1946. The question confronting the government, therefore, is:

> What attitude should the United States adopt toward the complaint by India, in the event that reconciliation of differences cannot be reached on the racial policies of the Union of South Africa?

j. International Convention on Human Rights

A Commission on Human Rights of the Economic and Social Council of the United Nations was organized under Article 62 of the Charter, which empowers the Council to make recommendations for the purpose of promoting respect for, and observance of, human rights and fundamental freedoms for all. The Commission is preparing a draft of an International Bill of Human Rights that will be submitted to all members of the United Nations for consideration with a view to action by the General Assembly in 1948. If adopted, the bill may be in the form of a convention that members of the United Nations would be asked to adopt and apply within the territories under their jurisdiction. The United States is therefore confronted with the following question:

> What provisions should the United States support in an international bill of rights?

2. Treatment of Non-Self-Governing Peoples

The end of World War II saw the emergence of a number of new political units in the world community, as formerly non-self-governing peoples were granted either independence or a large measure of self-government. In the Near East, the former mandated territories of Transjordan, Syria, and Lebanon have achieved independence. In the Far East, the final grant of Philippine independence is the American contribution to the list.

There was also at the end of the war a loosening of the ties that had previously bound Great Britain, France, and the Netherlands with their dependent territories, especially in Southeast Asia. Sovereignty on a dominion basis has already been achieved by India and Pakistan, and an agreement has been made by Great Britain with the Executive Council of Burma on methods to determine the future constitution of the country and on the transitional arrangements before the new constitution comes into force. In these countries the primary problem no longer lies in the relations between the sovereign power and dependent peoples, but in the ability of these peoples to govern themselves democratically and peacefully. There have been serious disorders in Burma and great violence in India and Pakistan, resulting in panic mass transfers of minority Moslem, Sikh, and Hindu populations from one state to another. This situation is of deep concern to the United States since the destruction of lives and property and the disruption of trade and production contribute to world instability and unrest at a time when stability and increased production are desperately needed. However, it does not at this time present a problem for immediate action.

The other two main trouble spots in Southeast Asia are Indo-China and Indonesia, which present problems of the relation between the sovereign state and the newly created autonomous units within the French and Dutch empires respectively. The degree of independence and the scope of jurisdiction of the sovereign state have been sources of the disagreement that has intensified to the point of civil war in both cases.

Although many non-self-governing peoples are not yet qualified to assume the responsibilities of self-government, steps have been taken during and since the war to improve their political and economic status. The United Nations Charter provided for the establishment of an international trusteeship system to supervise the administration of (1) the mandated territories of the League system, (2) the territories detached from enemy states in World War II, and (3) other territories voluntarily placed under the system. In each case the terms of trusteeship are to be agreed by the parties directly concerned and are then subject to the approval of the United Nations—in the case of strategic areas by the Security Council and in the case of other areas by the General Assembly.

The United Nations has already accepted trusteeship agreements for all of the former mandated territories, with the exception of Palestine and South-West Africa. The future of both of these territories is now before the General Assembly. Palestine presents a problem more like that of India, in that the interested foreign states are in general agreed that self-government should be granted to the country, but the practical application of the principle is made most difficult by irreconcilable differences between the local inhabitants. Other foreseeable trusteeship problems will involve the former Italian colonies, certain Japanese possessions, and possibly the Anglo-Egyptian Sudan.

Many dependent peoples are not under the trusteeship system, especially in the old-established colonial empires. Under the United Nations Charter, however, member states administering non-self-governing peoples recognized that the interests of dependent peoples should be paramount, and they undertook to promote their political capacity and general well-being to the utmost within the United Nations system of international peace and security. The question whether this obligation is being properly fulfilled is already provoking debate in the General Assembly and the Trusteeship Council and it may require major policy decisions in the near future on the part of the United States.

Other steps have been taken by the sovereign states concerned to improve the political and economic status of dependent peoples. In the Caribbean and South Pacific areas, where there are numerous dependent territories, Regional Commissions have been established to undertake economic and social improvements on a co-operative basis. The colonial powers individually have also taken important steps through constitutional changes affecting the political status of various areas and through development programs of varying extent to increase economic and social welfare. The United States has participated in this general movement by such measures as membership in the Regional Commissions and the placing of the Puerto Rican governorship on an elective basis.

These moves have not been adequate to dispel all colonial dissatisfaction with political, economic, or social conditions. The pressure of local separatist movements continues in some areas, the most important perhaps being in French North Africa, and may develop to the point of creating serious international problems in the future similar to those in Southeast Asia today.

a. Indo-China

The present armed conflict between the French and the Vietnamese arose out of disagreements on the limitations upon the sovereignty of the Vietnam Republic as part of the French Union and on the question of including Cochin-China within the territory of the Republic, upon which the Vietnamese insist.

France appears determined to re-establish its control, by force if necessary, over the whole of Indo-China, and the Vietnam Republic is equally determined to maintain its autonomy. The immediate situation is one of military stalemate, resulting in political instability and economic chaos. There is some dispute about the extent of communist domination in Indo-China. Early in September 1947 the French government made what it called a "last appeal" to Vietnam to accept independence within the French Union, with the provision that France retain control of the army and of foreign affairs. What attitude the Vietnam government will adopt toward this offer has not yet been revealed.

If the unstable conditions in this area continue there may be adverse effects on neighboring countries as well as on economic reconstruction and revival of trade in Indo-China itself. The interest of the United States is to see a peaceful settlement of the immediate controversy that will permit a restoration of political stability and of production and trade, and thus contribute to world peace. In considering this problem, the United States must weigh the advantage of supporting the principle of self-government against the advantage of retaining the good will of the French and strengthening the French government generally in case the two purposes should be in conflict. It is reported that the United States has made representations to the French government, pointing out the undesirable consequences that would flow from failure to reach a peaceful settlement in Indo-China. In the event that disturbances continue much longer, there is the possibility that the case may be brought before the United Nations. Meanwhile, the United States is confronted with the question:

> What further steps, if any, might the United States take to facilitate the settlement of this problem?

b. Indonesia

Notwithstanding the conclusion of the "Cheribon Agreement" in March 1947, between the Netherlands government and the government of Indonesia, providing for the future status of Indonesia as a self-governing segment of the Netherlands-Indonesian Union, agreement has not yet been reached on the details of making that instrument effective. In May 1947 the Netherlands made a proposal relating primarily to the establishment of an interim government for the whole of the area pending establishment of a "United States of Indonesia" on January 1, 1949. The negotiations that followed were marked by disagreements over control of the armed forces and over a proposed cease-fire order, which the Indonesians refused to issue unless the Netherlands took parallel action.

At one time agreement appeared to be in sight. On July 21, however, the Netherlands authorities resumed military operations, which the

Netherlands government stated were a temporary police measure of strictly limited character, rendered necessary by the present inability of the Indonesian government to maintain order, and not intended to imply an abandonment of the Cheribon Agreement. In the subsequent hostilities the Netherlands forces made rapid advances, and plantations and towns were destroyed by the retreating Indonesians. The result of this strife, together with the destructive effects of previous fighting and the generally unsettled conditions that have prevailed ever since the Japanese invasion in 1942, is that the once rich islands of Indonesia are virtually bankrupt.

On July 30 the Indonesian situation was brought to the attention of the United Nations Security Council by Australia. Two days later the Security Council adopted a resolution calling upon the two parties to cease hostilities and to undertake a settlement by peaceful means. A cease-fire order was carried out on August 5. On August 25 the Security Council adopted resolutions providing for the supervision of the cease-fire order by the foreign consuls stationed in Indonesia and tendering the good offices of the Council in an effort to achieve a settlement. So far no settlement has been reached and there have been repeated charges on both sides of violations of the cease-fire order.

In addition to the uncertainty of political control, there are many other factors that militate against steady progress toward political stability and economic prosperity in Indonesia. Among these are: the administrative and technical inexperience of the natives; current economic distress affecting large masses of the population; long-standing antipathies engendered by foreign domination; and communist agitation. From the American standpoint, the restoration of internal order is important, not only in view of American political objectives, but also because of the need to bring the rich resources of the area into world trade once again. The problem confronting the United States is:

> What further steps should the United States take to assist the peaceful development of a self-governing regime in Indonesia?

c. Palestine

After its separation from Turkey in World War I, Palestine became a mandated territory under the administration of Great Britain. In the confused political situation that prevailed in the Middle East during World War I, Great Britain made political commitments that have since been regarded as conflicting. In 1915 in correspondence between the British and the Arabs, the British reserved certain territories that were not to be included in the proposed Arab state. In the Balfour Declaration of 1917, Great Britain promised the Jews a national home in Palestine. The Arabs have since claimed that Palestine was not included in the territory reserved by Great Britain and that the commitment to the Jews is therefore untenable. Because of the conflicting commitments and the political unrest that has resulted, and because of the preponderance of Arab population in Palestine in spite of the heavy Jewish immigration during the interwar years, Great Britain has been unable to carry out fully the terms of the mandate or the Balfour Declaration.

After World War II the Zionists combined their objectives of establishing an independent Jewish Palestine with that of finding a haven for the Jewish displaced persons in Europe. The Zionists maintain that Palestine is the natural home for the Jewish refugees; while the Arabs, intent on maintaining their majority position, assert that Palestine has less reason for absorbing the refugees than the United States, Canada, Brazil, or any other country with greater space and resources.

An Anglo-American Committee of Inquiry in 1946 recommended a solution by partition. Great Britain refused to accept the recommendations on the ground that it could not enforce them alone; and when the United States indicated no willingness to share the military and financial responsibility involved in partition, Great Britain referred the problem to the General Assembly of the United Nations. A Special Committee on Palestine has now submitted a report to the General Assembly recommending specific action. The Special Committee, pointing out that no solution of the Palestine problem should be considered as a solution to the Jewish problem in general, unanimously recommended the termination of the mandate and the granting of independence at the earliest practicable date; the maintenance of the economic unity of Palestine; the preservation of the sacred character of the Holy Places; and the alleviation of the plight of the 250,000 displaced European Jews; and that the United Nations should supervise Palestine during the transitional period involved in terminating the mandate. A majority of the Committee recommended in addition that Palestine be partitioned to form independent Jewish and Arab states, with Jerusalem under international trusteeship; that during the transitional period Great Britain continue to administer the territory under the auspices of the United Nations; and that 150,000 Jewish immigrants be permitted to enter the proposed Jewish state during a transitional period of two years. A minority report was submitted recommending the creation of an independent federal state in Palestine.

The Soviet Union, the United States, and the Jewish Agency, recognized by the Mandatory as the official spokesman of the Palestine Jews, have announced their support in principle of the majority proposal, with reservations. The spokesman for the Arab League has rejected both the majority and minority proposals, and has intimated that the Arabs may resort to armed force if partition of Palestine is attempted. No formal proposal for enforcing the partition plan has been made, but the United States has suggested the establishment of a volunteer international force to be recruited by the United Nations for internal police duties. Great Britain has announced that it will not accept the responsibility of enforcing a decision unacceptable to all parties concerned and that it will have to withdraw its troops from Palestine in the near future.

Although the United States has supported partition of Palestine, its general interest in maintaining peace and stability in the Middle East and its special interest in preserving vital American oil interests in this area require continued friendly relations with the Arab world. The immediate question confronting the United States therefore is:

> How far is the United States prepared to go in support of the decision to partition Palestine?

d. South-West Africa

At the 1946 session of the General Assembly, the Union of South Africa voluntarily raised the question of the mandated territory of South-West Africa and proposed to incorporate the territory into the Union, stating that the natives of the mandate had voted for incorporation when consulted on the question. The Assembly refused to agree to the proposal, however, and invited the South African government to submit a trusteeship agreement for its consideration. The Assembly resolution admitted that the natives of the territory had supported incorporation, but claimed that they lacked the political development to express a considered opinion.

The Union government opposes a trusteeship arrangement and is continuing the mandatory status. At the present session of the General Assembly, South Africa reported that it had communicated the United Nations decisions to the tribes of the mandate territory and that the latter adhere to their desire for incorporation, with only a small percentage in favor of trusteeship. Currently, opinion in the Assembly is divided on the basic question of whether South Africa is obligated under the Charter to submit a trusteeship agreement.

The United States has taken the position that South Africa is not legally obligated under the Charter to submit a trusteeship agreement, but has expressed the hope that it will comply with the Assembly's request. India is the leader of the states that hold the view that submission of a trusteeship agreement is mandatory. The United Nations must therefore decide first the legal question of the Union's obligation. If the American view prevails, presumably nothing more than another attempt at persuasion will follow. If the opposite view prevails, there must then be a second decision on whether to undertake any specific action to secure South Africa's compliance. In the latter event, the United States must decide:

> What action would the United States favor in the event that South Africa refuses to accept the decision of the General Assembly?

e. The Anglo-Egyptian Sudan

The question of the future status of the Anglo-Egyptian Sudan arose during the course of the negotiations for a revision of the Anglo-Egyptian treaty of 1936. Under that treaty, Great Britain has a right of occupation until 1956 in the Suez Canal Zone, and the British feel that they cannot yield this right, as demanded by Egypt, in the absence of some satisfactory alternative security arrangement. Negotiations were undertaken for a new treaty that would provide a solution acceptable to both parties. They broke down on the related subject of the future status of the Anglo-Egyptian Sudan.

Egypt has an interest in the Nile waters, which reach Egypt through the Sudan, and in the general economic resources of the area, the development of which would contribute greatly to Egypt's own economic progress. For this reason, among others, Egypt demands permanent sovereignty over the area.

The strategic interest of Great Britain in the Sudan, which is historical owing to the contiguity, of the British East African possessions and the Red Sea, has been increased in recent years by the development of air routes to the Near East that traverse the Sudan. Great Britain has taken the position that the Sudanese should be permitted to choose their own political status in the future.

The interests of the United States are in the protection of the rights of the Sudanese and in a settlement that will not leave Egypt dissatisfied or weakened, because this might increase anti-British sentiment in the Mediterranean area. The importance to the United States of the Suez Canal and of the British strategic position in Africa and the Near East make the problem outstanding on security grounds. Egypt has placed the problem before the Security Council and has asked for the evacuation of British troops and for a union of Sudan with Egypt under the Egyptian Crown. In the light of the foregoing considerations:

> What further steps, if any, should the United States take in promoting a peaceful settlement of the issues that have arisen between Great Britain and Egypt over the future status of Anglo-Egyptian Sudan?

3. Propagandist Activities

The efficacy of propaganda as a political weapon in a "war of nerves" has been amply demonstrated in the last three decades. The importance of propaganda activities may be seen when it is realized that the prize at stake is the influencing of millions of minds to support national objectives, however these may be defined. At the present time, the existence of an ideological conflict in the world, the prevalence of economic and social distress that strongly affect the convictions of millions of people, and the international struggle for power give added importance to the potential rewards to be gained by conducting a war of nerves.

a. War of Nerves

The Soviet Union and its satellites are employing informational media to carry on a war of nerves outside their own borders by planned manipulations of the facts. One aspect of these activities has been the effort, through misinterpretation and misrepresentation, to foster international confusion on all major issues and, while emphasizing the virtues of the Soviet Union, to discredit and falsify the motives of the United States in an attempt to convince the forum of world opinion of the "perfidy" of democratic regimes in general and of the United States in particular.

The most recent manifestation of this activity is the communist "Information Bureau" created at Belgrade in September 1947 and composed of the representatives of the Communist parties in nine European countries (Soviet Union, Yugoslavia, Bulgaria, Rumania, Hungary, Poland, France, Czechoslovakia, and Italy). This bureau has the announced purpose of organizing information and exchanging experience and, in case of necessity, co-ordinating the activities of Communist parties in these countries. A "manifesto" was issued by the new organization maligning the aims of the

American and British peoples in the war, and accusing the capitalist-imperialism of America and its right-wing socialist allies of aiming at "an establishment of a world-wide American imperialists' hegemony and the crushing of democracy." This carried to new lengths the distortions of American policy that have characterized the propaganda of the Soviet Union, particularly since the announcement of the Marshall proposal last June.

The other aspect of the Soviet Union's war of nerves has been an intensive campaign to undermine political regimes that the Soviet Union considers unfriendly to it and to reinforce regimes where control or domination by the Soviet Union is well established. In this respect the war of nerves has become a new technique of intervention. Such misuse of information is injurious to the achievement of common objectives among nations and might even lead eventually to armed conflict.

The United States has declared that it will not conduct a war of nerves to achieve its ends. It is, however, confronted with the serious problem of counteracting these practices employed by the Soviet Union and its satellites. The United States has been a consistent advocate of completely free interchange of information, ideas, and culture among all nations, in part as a means of promoting friendly international relations, and in part as a means of discouraging the use of false information and misrepresentations of information by any nation. It has made some effort to place before the world the true facts about its objectives and actions in international affairs. The country is not, however, united as to how far the government should go in engaging in such activities and is therefore confronted today with the decision relating to the following problem:

> What measures should the United States take to counteract and nullify the effect of the war of nerves now conducted by the Soviet Union against the democratic systems in general and the United States in particular?

D. SECURITY PROBLEMS

The problems of national security that confront the United States embrace questions pertaining to the national strength of the country; to the political, economic, and military measures requiring national and international action; and to the interrelation between world-wide, regional, and other arrangements for the maintenance of international peace and security. These problems are shaped primarily by the fact that the United States, in the interest of its own security, is committed to participation with other nations in a collective system for the maintenance of international peace and security under the United Nations. That system, however, has certain important limitations and within these limitations has not yet become fully effective.

In the world of today, where the concentration of the principal elements of power in three nations creates a precarious balance, it is especially difficult to develop an effective collective security system. There are three essential components in the system of collective security established by the Charter of the United Nations. These are the obligations and procedures prescribed by the Charter for the pacific settlement of disputes between states; the power given to the Organization itself to take enforcement action, including the use of armed force, in order to restore or maintain international peace and security; and the responsibility of the Organization for formulating plans for the regulation of armaments. The successful operation of this system, however, is predicated on the basic assumption that in all matters threatening international peace and security, the major nations, because of their power and influence, would act together and that each of them would be willing to make its necessary contribution and to discharge its share of responsibility.

As a leading member of the United Nations, the United States has accepted the obligations and responsibilities involved in all three of the essential elements of the United Nations system of collective security. It is working for the improvement of the present procedures for the pacific settlement of disputes and for the conclusion of agreements that will make armed forces available to the Security Council. It adheres to the principle of international regulation of armaments by mutual agreement among nations. It strongly advocates a system for the international control of atomic energy that will contribute to international security. And it believes that reduction in conventional armaments will become possible progressively as the disturbing elements of the world situation are overcome and as the system of collective security becomes effective.

The Broad Issues

The position of the United States in the world and its responsibilities as a great power require the maintenance of acequate military strength and of potential military power. These requirements are necessary for the four principal tasks outlined by President Truman: (1) The United States, in collaboration with its Allies, must enforce the terms of peace imposed upon our defeated enemies; (2) it must fulfill the military obligations that it is undertaking as a member of the United Nations Organization to support a lasting peace, by force if necessary; (3) it must co-operate with other American nations to preserve the territorial integrity and the political independence of the nations of the Western Hemisphere; and (4) its military forces must be adequate to discharge the fundamental duty laid upon them by the Constitution of the United States--"to provide for the common defense" of the United States. To accomplish these tasks throughout the world, the United States must be assured through its political relations with other nations of a favorable strategic position in accessible areas where its military power may need to be employed in the maintenance of peace.

There are certain elements of national military power, however, that are required for the security of the United States, whether or not a system of world-wide collective security under the United Nations is effective. The essentially national elements relate to: the maintenance of an adequate military establishment; continuous research and development; the maintenance of a co-ordinated system of intelligence; plans for the organization of the government for possible war, for the mobilization of industry and man power, and for civilian defense, civilian economy, and national discipline. The full effectiveness of all these elements requires a unity of purpose and a high degree of moral strength among the American people. While all these are matters for domestic action, they obviously have international importance as regards national security. There are other elements the character of which is essentially international. Among these are regional arrangements and other agreements of both a military and political nature designed to increase the potential of military power of the United States and to ensure international security.

These domestic and international elements taken together constitute the current national military strength upon which the United States depends to meet its military responsibilities. In so far as the United States places itself in a position to meet its national military responsibilities, it will also be in a position to make its proper contribution to the development and strengthening of a collective security system, upon the ultimate effectiveness of which rests the security of the United States. The framework of the collective system already exists in the United Nations Charter.

Attempts to make the security features of the United Nations system a reality have so far been unsuccessful, largely because of disagreement among the great nations. Their disagreements on collective security matters arise in connection with several broad issues relating to the completion of the United Nations system and the implementation of enforcement action, by armed force or otherwise. This basic disagreement and the present ineffectiveness of the United Nations security system affect the nature of other international security problems such as the utilization of regional organizations in the maintenance of peace and security, and all these international problems in turn influence the form taken by purely national problems of security.

Consideration has already been given to the issues of security raised by the peace settlements. Apart from this, the various elements of the general security problem in the light of the present world situation and the particular position of the United States, pose the following broad issues under which the specific problems of security may be grouped:

1. What further measures should the United States propose or support in an effort to make the United Nations system of collective security function more effectively?

2. What alterations in general United States security policies may be required as a result of the changes in political, economic, and strategic positions brought about by World War II?

3. What other international aspects of United States military security require policy determination or action?

1. Organization of a System of Collective Security

In the two years that have passed since the Charter came into force, the minimum machinery necessary to the collective system envisaged by it has been created. But there is a growing disappointment at the slowness with which the system is being brought into full effect and a widespread dissatisfaction with the way in which some of the machinery has failed to work in actual practice. The serious political differences both inside and outside the United Nations that have developed between the major powers have prevented the Security Council from operating effectively in the discharge of its primary responsibility—the maintenance of international peace and security. Proposals have been made for changes in the procedures of the Organization that would enable it to carry out some of its functions more effectively. These proposals center around modifications to be made in the voting procedures of the Security Council in order to eliminate or liberalize the "veto" provision and around suggestions for greater use of the powers of the General Assembly in the pacific settlement of disputes.

Differences among the major powers have also arisen in matters relating to the strength and organization of the armed forces to be made available to the Security Council. As a result, the Council is powerless to take any enforcement action involving the use of armed force until these differences are resolved. Furthermore, no efforts have yet been made to complete the machinery required for the use of other types of enforcement action, especially economic sanctions, that the Council can employ. Finally, efforts have so far failed to formulate plans for the international control of atomic energy and the regulation of conventional armaments that are acceptable to all the major powers.

The issues involved in each of these areas of disagreement present several problems of crucial importance to the United States and they require major policy decisions.

a. Modification of the Veto Provisions

A basic feature of the organized system of collective security established under the Charter of the United Nations is the requirement for unanimous concurrence of the five permanent members of the Security Council in all decisions of a "substantive" character made by the Council. This is the so-called "veto" provision. The only exception to this rule of unanimity occurs when the Security Council acts in the pacific settlement of a dispute. In this instance all parties to the dispute--including the permanent members--must abstain from voting. Because of recent events, the veto question has assumed an immediate political importance that tends to obscure its longer-range security aspects.

The veto provision of the Charter was strongly opposed by the smaller nations during the drafting of the United Nations Charter. Since the establishment of the Organization there has been widespread demand for the abolition or drastic modification of the veto. Generally, it is claimed that the veto gives the five major nations a position of privilege too great in comparison with that of the other members of the United Nations. Specifically, it is charged that the veto has been misused by the major nations, especially the Soviet Union, to obstruct the work of the Security Council. The question became prominent at the end of 1946, when the General Assembly of the United Nations debated several proposals on the subject, ranging from elimination of the veto power in the process of pacific settlement of disputes only to its complete abandonment. In the debate, the permanent members of the Security Council opposed all attempts to modify the veto provision, but the United States and the United Kingdom concurred in the Assembly resolution that called on the major powers to exercise the veto privilege with moderation.

During 1947 the frequent use of the veto by the Soviet Union, particularly in the consideration of the Greek case and of applications for United Nations membership, caused increasing concern among the major as well as the small powers lest abuse of the veto should prevent the Security Council from taking any positive action to fulfill its responsibilities. In August 1947 the United States submitted proposals for defining more closely the matters not subject to the veto. Although the Soviet Union opposed all discussion of the matter, it was referred for study to the Council's Committee of Experts.

The question of the veto became one of the important issues before the General Assembly when it convened in September 1947. Secretary of State Marshall announced that since the abuse of the veto had prevented the Security Council from fulfilling its true functions the United States had come to the conclusion that "a liberalization of the voting procedure" was necessary. He stated that the United States would be willing to accept abolition of the veto in the pacific settlement of disputes and in applications for membership. He made no specific proposals by which this liberalization could be achieved, but he suggested that the matter be referred to a special committee for report to the next session of the Assembly, and that meanwhile the Security Council itself should "bring about improvements within the existing provisions of the Charter, through amendments to the rules of procedure, or other feasible means."

This proposal for modification of the veto received widespread support from other delegations. Many of the smaller powers, however, have gone much further than the United States by proposing the immediate convocation of a General Conference to amend the Charter for the purpose of abolishing the veto. None of the major powers have advocated amendments to the Charter, but Great Britain, France, and China have advocated restraint in the use of the veto. The Soviet Union, on the other hand, supported by the Eastern European members, has adamantly insisted that the principle of unanimity of the great powers is the "foundation of the United Nations on which the whole structure is based." Under the present provisions of the Charter, it should be noted, any method of obtaining modification of the veto, whether by Security Council action or by amendment of the Charter, would require the concurrence of the Soviet Union.

United States policy must be determined on the application of the veto provision to four main aspects of Security Council action: (1) pacific settlement of international disputes; (2) determination of violations of accepted obligations; (3) enforcement action; and (4) admission of new members. In determining its policy on all these aspects, the United States must weigh the advantage of ending the impasse that frequently occurs in the Security Council, because of the ability of one major power to obstruct action favored by the majority, against the advantage of retaining its own veto right in cases where a majority might favor action contrary to American security interests.

1) Pacific Settlement of Disputes

The authority of the United Nations in pacific settlement of disputes is restricted to making recommendations, and is exercised by both the Security Council and the General Assembly, each within certain limitations. The Council is free, on its own initiative, to recommend only methods and procedures of settlement. When a dispute is referred to it by the parties, however, it can recommend terms of settlement. But the Council's vote on any recommendation must include the affirmative votes of all permanent members who are not themselves parties to the dispute. The Assembly is free to make any recommendations on its own initiative, and the veto provision does not apply to its deliberations. It is enjoined by the Charter, however, from making recommendations on disputes that are under consideration by the Council. Since the determination of the Security Council's agenda is made by any seven votes, the veto provision does not apply to the transfer of consideration of a dispute from the Council to the Assembly, or *vice versa*, for the purpose of making a recommendation for pacific settlement.

In the case of a recommendation by the Security Council on the pacific settlement of a dispute, the principal argument for eliminating the requirement of unanimity among the permanent members that are not parties to the dispute is that it would remove a drastic limitation on the ability of the Council to act in this important field. This would prevent any permanent member that is not a party to a dispute from willfully obstructing the Council's action. The principal argument against removing the veto power of nations not parties to the dispute was given by the major nations at the San Francisco Conference in their joint interpretive statement on the voting provisions. They contended that action by the Security Council in the field of pacific settlement might set in motion a chain of events that might render drastic enforcement action inevitable. Since theirs would be the primary responsibility for eventual enforcement action, the major nations felt that they should retain the veto privilege in all stages of the process of maintaining peace and security.

The United States, however, has not taken a position in favor of elimination of the veto on all matters of pacific settlement of disputes. The problem therefore is:

> What methods should the United States favor to secure elimination of the veto in the United Nations Security Council on matters of pacific settlement of disputes arising under Chapter VI of the Charter?

2) Determination of Violations of Accepted Obligations

Under the Charter, authority is vested in the General Assembly to deal with situations resulting from a violation of the obligations assumed in the articles relating to the purposes and principles of the United Nations. The means of action, however, are limited to the making of recommendations. By the provisions of Article 39 of the Charter the determination of the existence of threats to the peace or breaches of the peace--which may be followed by enforcement action--is vested in the Security Council. In this determination by the Council, the right of veto is retained by all permanent members. At the San Francisco Conference, the principal argument in favor of making the provisions of Article 39 of the Charter subject to the veto provision was the same as that described above in connection with the process of pacific settlement. The argument there against making Article 39 subject to the provision that the accused party must abstain from voting was that the determination of the existence of a threat to the peace or a breach of the peace was the first step in the enforcement process, in which the power of veto was made complete.

The principal argument now advanced in favor of eliminating veto power entirely in connection with Article 39 is that no nation should be in a position to prevent a finding being made regardless of whether it is the accused party or not. The argument against this is the same as in the case involving abstention from voting explained above. The problem confronting the United States therefore is:

> Should the United States actively support, or at least accept, an alteration of veto power in connection with Article 39 of the Charter?

3) Enforcement Action

Enforcement action under Chapter VII of the Charter is the sole prerogative of the Security Council, and all permanent members of the Council retain veto power in all matters relating to the subject. Therefore, under the Charter, the Security Council cannot undertake enforcement action against any one of the permanent members. This far-reaching limitation would be removed if the veto provision were eliminated. The Council would then be legally in a position to discipline any nation, large or small. The Council's actual ability, however, to take enforcement action against any one of the major nations would depend upon the size and effectiveness of the armed forces at the Council's disposal, in relation to the military strength of the major nation against which enforcement measures might be necessary.

Under present conditions there could be no assurance that a major nation--particularly the United States or the Soviet Union--could be coerced without at least the mobilization and possibly the use of the full military potential of the other major nations. Hence, a system of collective security, operating without the veto provision in enforcement action, would require a willingness on the part of each permanent member of the Security Council to make available to the Council all its forces and resources. The obligation thus assumed would have to be carried out by each permanent member, even if it did not concur in the Council's decision to undertake enforcement action. This obligation would also have to be carried out even if the decision was made mainly by a vote of the smaller nations, whose contribution to the means of action would be out of all proportion to the voting power that they would exercise.

None of the major nations has so far been willing to accept this obligation. On the contrary, it was implicit in the Charter negotiations that the Council would have only the means to coerce the smaller nations. The members of the Military Staff Committee have recognized this fact in making their estimates of the strength of the armed forces to be made available to the Security Council. It was on this understanding that the Congress, in approving legislation for American participation in the work of the United Nations, authorized the President, without further recourse to Congress, to order into action the forces made available to the Council by the special agreement. It was made clear in the debates in Congress that the forces made available would be small, and that the United States would not be committed to furnish any additional forces without congressional approval in each case. The crucial question for the United States therefore is:

> Should the United States commit itself to the employment of its entire military potential in support of enforcement action under Chapter VII taken on a decision of the Security Council in which the United States does not concur?

4) Admission of New Members

Under Article 4 of the Charter, membership is open to all "peace-loving states" that accept the obligations of the Charter and in the judgment of the Organization are able and willing to carry them out. New members are admitted by vote of the Assembly upon a recommendation of the Security Council, in which all permanent members must concur. The major nations insisted on this right of veto because of the security aspects of the question. The admission of only six out of seventeen applicants for membership since the establishment of the Organization has led, however, to widespread dissatisfaction with the role of the Council in the admission process. All of the major nations have been accused of rejecting applicants for membership on political grounds that have little relation to the Charter requirements.

All the former enemy states, except Germany and Japan, applied and were refused membership. When their applications were first considered, the Soviet Union maintained that they were ineligible because peace treaties had not been concluded with them. Since the conclusion of the peace treaties, the United States and Great Britain have favored the admission of Italy and Finland, but they have opposed the admission of Rumania, Bulgaria, and Hungary on the ground that the failure of these states to observe the provisions of the peace treaties relating to civil liberties casts doubt on their abilities to carry out the obligations of the Charter. Since the Soviet Union refused to vote for Italy and Finland unless the United States and Great Britain would vote for the other three, none of the five has been recommended for membership.

Australia has taken the position that the Council has no general powers on admission, but has only the limited power to examine applications in the light of security considerations. More recently, however, the United States has proposed the general elimination of the veto in the voting of the Security Council on membership applications. The question for the United States therefore is:

> What methods should the United States propose to eliminate the veto on membership applications?

b. Establishment of an Interim Committee of the General Assembly

Under the United Nations Charter, the Security Council is vested with "primary responsibility for the maintenance of international peace and security." The General Assembly is empowered to "consider the general principles of co-operation in the maintenance of international peace and security" and to "discuss any questions relating to the maintenance of peace and security." The Assembly may make recommendations on the maintenance of peace and security "to the state or states concerned or to the Security Council or to both," but it cannot make recommendations on those matters that are under consideration by the Security Council. Recommendations by the General Assembly on peace and security matters have the advantage that they cannot be blocked by any one member state, since their adoption requires only a simple two-thirds vote. Furthermore, these recommendations represent the overwhelming weight of opinion of all members of the United Nations.

The failure of the Security Council to function effectively, especially in the pacific settlement of disputes, because of the misuse of the veto by the Soviet Union led the United States to propose in the current session of the General Assembly the establishment of an "Interim Committee of the General Assembly," that would include all members of the United Nations. The chief function of the Interim Committee would be to consider matters relating to international political co-operation and the maintenance of peace and security. It would make recommendations on these questions to the General Assembly, conduct investigations, and appoint commissions of inquiry within the scope of its duties. Recommendations to the member states or to the Security Council would still be made by the General Assembly itself, but its activities in this field would be facilitated by the work of the Interim Committee.

The United States, in proposing the establishment of the Interim Committee, declared that the Committee was not intended to infringe on the functions of the Security Council, but the United States did not offer any suggestions on how jurisdictional conflicts might be avoided. Australia has suggested, however, that the Interim Committee consider only cases on which action has been blocked by a veto in the Security Council. On the other hand, the Soviet Union has strongly opposed the establishment of any

Interim Committee as an attempt to by-pass the Security Council. Assuming that the Interim Committee is established, the question for the United States therefore is:

> What should be the general policy of the United States in determining whether a situation or dispute should be referred to the Interim Committee or to the Security Council?

c. Organization of Forces Made Available to the Security Council

Under Article 43 of the Charter, the members of the United Nations are obligated to make armed forces, facilities, and other assistance available to the Security Council at its call. The number and composition of these forces and other important details concerning their effectiveness are to be determined by special agreements. Article 47 of the Charter provides for a Military Staff Committee to advise the Council in these matters and to undertake the strategic direction of the forces that are made available to the Council. Upon the establishment of the United Nations, the Military Staff Committee began its study of this problem and on April 30, 1947, it submitted a report to the Security Council. The report raised the issue in the Security Council of the principles governing the organization of the armed forces to be placed at the disposal of the Security Council as an instrument for the enforcement of international peace and security. The issue is important since no over-all agreements for the provision of land, sea, and air forces for the use of the Security Council can be negotiated until the principles for their establishment have been agreed upon, and since no plans for the employment of the armed forces to be placed at the disposal of the Security Council can be undertaken until their strength and the principles of their organization are settled.

In the course of its consideration of this broad issue, the Security Council, on June 25, 1947, requested that the Military Staff Committee submit by June 30 an estimate of the strength of the forces to be made available to the Security Council. As the nations represented in the Committee failed to agree on an estimate, the United States and France submitted separate estimates, and China and Great Britain submitted a joint estimate. The Soviet Union made no estimate, basing its position on the ground that it was necessary to await the action of the Security Council on the first report of the Committee before a proper estimate could be made. In September 1947, the Soviet Union finally submitted an estimate of the required strength of the forces. A great divergence exists among the estimates submitted by the five nations, and no effort has been made in the Security Council to reconcile the different estimates.

The principal problems arising from the broad issue as listed in the report of the Military Staff Committee, concern the basis upon which the strength of contingents furnished by the great nations should be determined; the withdrawal of contingents on completion of an operation; the use of bases; and the location of armed forces when not employed by the Security Council.

1) The Strength of Great Nation Contingents

Under the principle of equality supported by the Soviet Union in the Military Staff Committee and in the Security Council, each of the permanent members of the Security Council would provide identical components of land, sea, and air forces to the United Nations Armed Force except that, in individual instances, deviations would be permitted by special decisions of the Security Council. Under this principle every component contributed by each permanent member would be so limited that it would be equal in strength and composition to the weakest corresponding component provided by any permanent member. A force so constituted might not have adequate total strength to contend with any but the weaker offending nations.

The proposals supported by the other four permanent members provide that the initial contingents supplied by each of the five are to be of comparably equal strength. This principle would permit the organization of a balanced armed force of modern and powerful land, sea, and air components that probably would be capable of carrying out any of the military tasks that the Security Council might assign to it. The disagreement noted above gives rise to the following question:

> Should the strength of the contingents furnished by the great nations for employment by the Security Council be determined on the basis of the principle of equality, on the basis of comparative strength, or on some other basis?

2) Withdrawal of Contingents

The United States, Great Britain, France, and China agreed in the Military Staff Committee that, upon the completion of an operation in which the United Nations Armed Force was employed under the direction of the Security Council, the contingents making up the force should be withdrawn to the general locations determined upon by the special agreements establishing the contingents. These general locations may well be elsewhere than in a nation's own national territories. They further agreed that the time of commencing and completing the withdrawal should be determined by the Security Council.

As regards the time of withdrawal, the Soviet Union proposed that certain specific time limits should be set forth in the special agreements. These time limits would be subject to change by the Security Council. The Soviet Union also proposed that each of the contingents should be withdrawn to their own territory or territorial waters. This difference of view poses the following question:

> What principle should govern the withdrawal of the contingents of the United Nations Armed Force on the completion of an operation directed by the Security Council, as regards both the time of withdrawal and the area to which they should be withdrawn?

3) Use of Bases

The United States, Great Britain, China, and France agree that the term "assistance and facilities" as used in Article 43 of the United Nations Charter includes bases of member nations, and they therefore agree that the question of bases should be included among the principles for the organization of the United Nations Armed Force. Although not in complete agreement on the provisions to be made, they concur in recognizing the importance of bases and of including some provisions in this regard. They concur also in the view that members should retain sovereignty, command, and control over bases placed at the disposal of the Security Council.

The position of the Soviet Union is that since bases are not specifically mentioned in Article 43, there are no obligations under the Charter requiring a member to make bases available; that the question of bases consequently does not enter into the principles of the organization of the United Nations Armed Force; and therefore that the questions of sovereignty, command, and control do not arise. In the light of these conflicting views the following question is presented:

> What principles should govern the use of bases by the United Nations Armed Force in the territory of any member of the United Nations, and what stipulations should be made in regard to the sovereignty of bases so used?

4) Location of Armed Forces

The United States, Great Britain, and China concur that each member of the United Nations should have the right, within its discretion and as stipulated in the special agreements under Article 43, to base the armed forces it makes available to the Security Council in territories or territorial waters to which it has "legal right of access."

The Soviet Union's proposal would require the forces to be based within the contributing member's own territories or territorial waters. The French proposal, while agreeing that the forces should not be restricted to bases within the territories of the contributing member, would attempt to define the areas outside of these territories where forces might be based. The question raised by these differences is therefore:

> What principles should govern the location of armed forces made available to the Security Council when they are not engaged in military actions directed by the Security Council?

d. Completion of Machinery for Sanctions

Apart from the broad issue of the provision of armed forces, another issue arises with respect to the machinery of the United Nations for the application of nonmilitary sanctions.

This broad issue concerns two of the principal elements in the system of collective security set up under the United Nations Charter. It requires solution before the co-ordinated effort of member nations can be effectively applied in all cases where enforcement action may be directed by the Security Council. The first element concerns the action that the United Nations should take for the establishment of a system for the co-ordination of effort in the application of nonmilitary sanctions. The second element concerns the measures that the United States should take to give effect to mutual assistance obligations set forth in the United Nations Charter.

1) Machinery for the Enforcement of Nonmilitary Sanctions

In the application of nonmilitary sanctions, the Security Council is authorized by Article 41 of the Charter to call upon all members of the United Nations to apply such measures as complete or partial interruption of economic relations and of rail, sea, air, postal, telegraphic, radio, and other means of communication, and the severance of diplomatic relations.

Individual action may be effective in the event that the decision of the Security Council requires complete interruption of economic relations or complete severance of the various means of communication. If partial steps only are directed by the Security Council, however, co-ordination by some international machinery is required to control the degree to which each member executes the Council decision.

The Security Council has ample authority to prescribe the measures of co-ordination for members in applying sanctions. In the light of the experience in the application of sanctions to Italy under the League of Nations Covenant, however, it is important that machinery for the application of nonmilitary sanctions should be established before the need arises. In view of this situation, the question is:

> Should the United States initiate measures in the Security Council for the establishment of machinery for the enforcement of nonmilitary sanctions? If so, what would be the nature of the proposals?

2) Machinery for the Implementation of Mutual Assistance Obligations

Article 41 of the Charter, imposing nonmilitary sanctions, and Article 42, relating to the use of military force, must be viewed in their relations to Articles 49 and 50, and paragraph 5 of Article 2. Under these articles, the members of the United Nations have the obligation to join in affording mutual assistance, in pursuance of enforcement measures determined by the Security Council; the obligation to refrain from giving assistance to any state that is being subjected to preventive or enforcement action; and the right to consult the Security Council in consequence of special economic problems that may arise as a result of the carrying out of measures directed by the Security Council.

The prospect that mutual assistance may be required is a real one, since it may arise out of whatever action the Security Council takes, whether military or nonmilitary. The assistance may take a number of forms, but is most likely to be economic or financial. The obligations and rights under these articles of the Charter require implementation, for they are directly involved in any successful employment of preventive or enforcement action taken by the Security Council.

At the present time, no machinery has been created within the United Nations to implement these provisions of the Charter, and the United States has taken no action on the national level to implement the obligations that it has assumed under these provisions. The lack of any machinery to implement the mutual assistance obligations, and the need for the creation of machinery in advance of situations where mutual assistance may become necessary, raises two questions:

What action should the United States take in the United Nations to create the machinery to provide mutual assistance?

What action should the United States take on a national level to fulfill its obligations under the mutual assistance provisions of the Charter?

e. The International Control of Atomic Energy

The specific problem of the international control of atomic energy is developed in Problem Paper "D," Part IV.

f. The Regulation of Conventional Armaments

Article 11 of the United Nations Charter authorizes the General Assembly to consider and make recommendations on "the principles governing disarmament and the regulation of armaments" to either or both the member states and the Security Council. The Security Council, however, is made responsible by Article 26 of the Charter for formulating plans to be submitted to the member states for "the establishment of a system for the regulation of armaments."

The general problem of the regulation and reduction of armaments arose in the United Nations in October 1946, when the Soviet Union proposed to the General Assembly of the United Nations that the Security Council be called upon to provide practical means to achieve this aim. As a result, the General Assembly in December 1946 adopted a resolution concerning the regulation and reduction of armaments and the control of atomic energy. In February 1947 the Security Council, in compliance with the Assembly resolution, established a "Commission for Conventional Armaments" charged with preparing and submitting, within a three-month period, proposals for general regulation and reduction of armaments and armed forces and practical and effective safeguards for general regulation and reduction of armaments within the Commission's jurisdiction. Matters within the competence of the Atomic Energy Commission were specifically excluded from the jurisdiction of the Commission for Conventional Armaments. The directive to the Commission required that it submit a plan of work to the Security Council for approval.

The Commission for Conventional Armaments commenced its work in March 1947. In view of disagreements in the Commission, the nature of its tasks, and the pressure of other work on the members of the Commission, the three-month time limit was not met. In July 1947 the Security Council, however, approved a plan of work submitted by the Commission.

In proceeding with its plan of work, the Commission has dealt with the first item concerning its jurisdiction and has reported to the Security Council that it considers all armaments and armed forces, except atomic weapons and weapons of mass destruction, within its jurisdiction; that "weapons of mass destruction" should be defined to include atomic explosive weapons, radioactive material weapons, lethal chemical and biologicals weapons, and any weapons developed in the future that have characteristics comparable in destructive effect to those of the atomic bomb or other weapons mentioned above. The Commission has stated that it proposes to proceed with its work on the basis of the above-stated definition. Since the other items in the plan of work have not been dealt with by the Commission, the question for the United States is:

> What instructions should be given to the United States representative in the Commission for Conventional Armaments in regard to (1) the general principles for the regulation and reduction of armed forces; (2) the practical and effective safeguards to protect complying states against the hazards of violations and evasions; (3) the practical proposals for the regulation and reduction of armaments; (4) the extension of these principles and proposals to nonmembers of the United Nations; (5) reports to the Security Council and a draft convention?

2. Regional Problems

The precarious balance of power among the major nations resulting from the war directly affects the security position of the United States in every part of the globe. That position results from the general economic and political conditions in each area and from the relations of the United States with the individual states in the region as well as with the other world powers.

In the Western Hemisphere, the recent conference at Rio de Janeiro and the forthcoming one at Bogota in January 1948 were called to systematize and make permanent the political and security arrangements in the inter-American system that were outlined during the war. In the Far East and in Europe generally, the security situation will not be fully clarified until the final peace settlements for those areas indicate the nature of future political and economic conditions that will prevail there. Acceptance of the American offer of 25-year four-power treaties for disarmament and control of both Germany and Japan, however, would mark a departure in United States policy that might have repercussions on numerous security questions. In Europe, the general consolidation of the Soviet position in the eastern half of the continent may raise additional security problems of great significance to the United States. Meanwhile, current conditions in the Near East and Mediterranean area focus attention on that region as one of particular and immediate strategic significance to the United States.

a. The Inter-American System

The inter-American system, comprising the twenty-one American republics, is the oldest political grouping of sovereign states now in existence. In the past, the system has not been represented by a single organization, nor have the rules and principles of the grouping been embodied in any one instrument, although the Pan-American Union has served as a rallying point for inter-American co-operation. At the Mexico City Conference in March 1945, however, the American republics vested in the Governing Board of the Pan-American Union the responsibility for preparing "a draft charter for the improvement and strengthening of the Pan-American System." This was done in anticipation of the role that regional organizations and arrangements may play in the maintenance of peace and security within the framework of the world security system to be established under the United Nations.

1) The Organic Pact

This charter has now been prepared and will be submitted for approval at the inter-American conference to be held at Bogota in January 1948. The projected "Organic Pact" would systematize the principles and rules of the system and assure that these are in harmony with the principles and purposes of the United Nations Organization. Its provisions cover membership and organization of the system, financing, pacific settlement of controversies, collective defense, and relations with the United Nations and its specialized organizations. The provisions of the recently concluded Inter-American Treaty of Reciprocal Assistance would be included as the collective defense provisions. A special project on an "Inter-American Peace System" has also been drafted, co-ordinating in a single instrument the numerous inter-American agreements for peaceful settlement, which would form the basis of the peaceful-settlement provisions in line with the principles of the United Nations system. A draft "Declaration of the Rights and Duties of American States" has been prepared, which would be attached as an annex to the Organic Pact. In the light of the objectives of the Bogota conference, the problem for the United States is:

> What should be the position of the United States on the provisions of the projected Organic Pact?

2) The Treaty of Rio de Janeiro

The Inter-American Treaty of Reciprocal Assistance, or "Rio Treaty," was signed on September 2, and when ratified by two thirds of the signatories will constitute an inter-American regional arrangement under Chapter VIII of the United Nations Charter. The signatories agree that an armed attack against an American state within a defined Western Hemisphere security region (or on the territory of an American state outside the region) shall be considered an attack against them all; and in the exercise of the inherent right of self-defense reserved under Article 51 of the Charter, each is obligated to assist immediately in meeting the attack by whatever action it considers appropriate. This immediate action is to be followed by consultation to decide on concerted action. In the event of attack on the military forces of an American state outside the security region, however, there is only the obligation of joint consultation on action to be taken to aid the victim of aggression. Consultation is also obligatory in the case of aggression other than armed attack, or of intra- or extra-continental conflict, or of any other situation endangering the peace of the Americas.

In the existing world situation, the provisions of the Rio treaty are of particular importance to the United States. The United States is taking a leading part in Europe and Asia in an endeavor to create a situation favorable to international peace and security and is of necessity maintaining its armed forces in those areas that are in danger of aggressive attack. In the light of the Rio treaty and the present security situation in Europe and the Far East, the United States is confronted with the following problem:

To what extent and in what respects, if any, must the United States consider modifying its security policies regarding any other region in the world?

b. The Mediterranean and Near East

The over-all strategic situation in the Mediterranean and Near East is marked by the decline of British strength and the increase of Soviet pressures in pursuit of the historical Russian policy toward the area. Although the withdrawal of British power from some positions in the region may be comparatively unimportant, the withdrawal from other positions and the total change in the relative strategic situations of Great Britain and the Soviet Union threaten such a change in the balance of general strength throughout the region that it has become a matter of major concern to the United States.

The unsettled economic and political conditions throughout the region, as is shown in discussions of the individual countries, have been intensified by this changing strategic picture and have led the United States to assist many of the countries of the Mediterranean and Near East, chiefly by economic means. The return of political stability and self-sustaining economies is in the interests of basic American political objectives for all countries. In the region, the United States therefore is faced with the general question of the extent to which its interest in creating a stable area, free from Soviet domination, warrants its assumption of responsibility where the British can no longer carry on and where the local authorities are in need of outside help, either to maintain political stability or to further economic reconstruction.

Besides these broad factors, there are particular political, economic, and strategic elements to be considered in the current situation in the Mediterranean and Near East. A recent political development of some importance was the formation in 1944 of an Arab League comprising the independent Arab states of Egypt, Trans-Jordan, Syria, the Lebanon, Iraq, and Saudi Arabia. The League links these states by treaty for the maintenance of their independence. It has taken a strongly nationalist attitude that has produced repercussions among Arabs in nonmember states. At present, the League's chief importance is in relation to Palestine, but its attitude on this problem may foreshadow its position on other important problems. Its present activities, therefore, have wider implications. There has been a threat of Arab military hostilities in the event of unsatisfactory decisions on Palestine, despite the military weakness of the member states. It has also been suggested that politically and economically the Arabs may turn away from "the West." These threats have included the possible cancellation of oil concessions, although the national revenues of those states with important petroleum resources are largely composed of oil-company royalties.

The economic importance of the Near East results from the significance of its petroleum resources in the oil requirements of many nations, especially the European. The use of oil as a primary source of power in Western Europe is increasing. Both economically and geographically, the Near East is the most suitable source of European oil supply. The Soviet Union is also interested in the Near East as a source of oil, both for its peacetime economy and for its war potential. A basic concern of the United States in the development of the Near Eastern oil fields arises from the desire to preserve the petroleum reserves of the Western Hemisphere.

The strategic importance of the Mediterranean lies in its use as a line of sea communications for the movement of oil from the terminals in the Near East and of goods from the areas east of Suez to Western Europe and the Americas. The control of the Mediterranean by the nations dependent upon this line of communications is essential. Moreover, the Mediterranean provides a highway into the heart of the African-Eurasian land mass through which military forces could be moved to preserve the vitally important economic and strategic assets of the Near East and Mediterranean areas. A primary requisite in the control of the Mediterranean is the control of the eastern and western entrances--the Suez Canal and the Straits of Gibraltar. This is now exercised by Great Britain, but its military control of the Suez Canal is at present in dispute with Egypt. The situation in the Mediterranean and the Near East requires consideration by the United States of the question:

> To what extent should the United States endeavor to ensure the stability of the Mediterranean and Near East by supporting Great Britain in maintaining various vital strategic positions; by replacing British with American power; by international measures; or by some combination of the preceding measures?

3. Other Aspects of United States Military Security

The elements of an international character in national military power that require either policy determination or implementing action at the present time include the availability of raw materials for the maintenance of our industrial capacity; the training of military forces of nations with which we are closely associated; the supply and standardization of armaments to these nations; other plans for military collaboration and the acquisition of base rights in foreign territory. In taking these measures, it should be realized that like measures might be taken by other countries. Possible objections by the United States to the measures that other countries might wish to take would have to be governed by consideration of the implications of the measures for international peace and security, as well as by consideration of the consistency of the objections in the light of similar measures taken by the United States.

a. Strategic Raw Materials

The United States possesses about one half of the industrial capacity of the world. To maintain its industrial capacity, there must be a continuous flow into this country of raw materials that are either unavailable here or are not available in sufficient quantities to meet requirements. Any measures that would deny to the United States its requirements in raw materials, either at the source or while in transit, could disrupt the industrial machine and destroy the potentialities of American industrial power. Access to sources of raw materials for peacetime use, as well as for stockpiling for use in war, might be denied to the United States through unilateral action of a state possessing the raw materials required. In time of war, the lines of communication both by land and sea from the sources of supply to terminal United States ports might be interrupted by military action whether or not the United States was involved in the war.

The problem concerns the measures that might be taken, such as the development of new sources of supply in areas contiguous to the United States, the development and importation of substitute materials, the conclusion of satisfactory agreements with other states to guarantee the availability of the materials required, and the protection of our lines of communication. National plans for stockpiling imported and domestic strategic and critical materials, although important from the viewpoint of national military strength, are not a part of this problem. The above considerations give rise to the following question:

> What steps should the United States take to ensure the continued availability of raw materials in short supply or not available within the continental limits?

b. Technical Military Collaboration

The term "technical military collaboration" is used to distinguish the political features of military collaboration from the features that are more strictly military. The military features involve such matters as the standardization of organization, command, and discipline; the use of common tactics; the employment of the same communication procedures and codes; and the standardization of arms and equipment. Technical military collaboration is essential in some degree in all military operations involving the joint action of the forces of collaborating nations. The degree of collaboration required depends, among other factors, upon the size, distribution, and disposition of the forces involved, and upon the nature and military capacity of the enemy. The essence of effectiveness in concerted military action is close technical military collaboration.

Close technical military collaboration should not be entered into without due consideration of the consequences, since at least some of the military methods and skills of the collaborating nations must be mutually exchanged. The maintenance of secrecy in many military matters is of prime importance to national security and extreme care must be used to prevent the disclosure of military secrets to another nation which might possibly at some time be an enemy, or which might not protect such secrets from a possible enemy.

Unless otherwise indicated by the context, in the discussion that follows the term "military" relates to matters concerning ground, air, and naval forces.

1) Military Advice

Specific statutory authority now exists for furnishing military advice to the armed forces of the Latin American republics, the Philippine Republic, Greece, and Turkey, and naval advice to the naval forces of China. Under the provision of the Emergency War Powers Act, the President is authorized to assign military and naval missions to countries in cases which he deems to be in the interest of the national defense of the United States. Military advice to the ground and air forces of China and to the ground forces of Iran is being furnished under the broad authority of this Act. Specific statutory authority will be required, however, if such advice to China and Iran is to be continued after the termination of the authority conferred under the Emergency War Powers Act.

Legislation was favorably reported to the House of Representatives, in June 1947, which, if approved, would authorize the President at his discretion to furnish military and naval advice to the armed forces of any states requesting such advice. This legislation, if approved, will permit the continuance of the advice presently furnished to China and Iran, and will also provide the President with statutory authority to extend greatly the program of furnishing military advice.

From a security point of view the United States stands to benefit from the contribution that the armed forces of the recipient states may make to international peace and security and, in some instances, from the strength of those armed forces in relation to a system of regional defense. The recipient states stand to benefit from an increased capacity for self-defense and from an increased capacity for military collaboration with other states in a regional system.

From a broad point of view, the problem is of particular importance in considering the implications of the so-called Truman Doctrine, since the proposed legislation would give the President authority to furnish military advice to states at his discretion without further action by the Congress. The problem involves the question whether the United States should continue to furnish military advice to the ground forces of Iran and the ground and air forces of China after the termination of the war powers of the President, and whether the United States should undertake to furnish such advice to other states outside the Western Hemisphere. In the light of the above considerations, the question is:

> How far and under what conditions should the United States extend its existing policy of furnishing advice to certain states, with which it is closely associated, in the organization and training of their armed forces?

2) Supply and Standardization of Arms

Under specific statutory authority and in accordance with a military assistance agreement, the United States for a period of five years is furnishing military advice to the Philippine Republic and training the Philippine armed forces in accordance with United States standards. It is also supplying naval vessels and arms and equipment of standard United States design to the Philippine government. The agreement precludes similar assistance to the Philippine Republic by any other state except upon the mutual agreement of the United States and the Philippine Republic.

The United States has provided China and Iran with standard United States equipment and is training their forces in accordance with United States standards. Statutory authority exists for furnishing naval vessels to China, and the Surplus Property Act permits the sale of certain classes of military material to foreign states.

The United States and Great Britain have agreed to continue their wartime collaboration in the standardization of armaments until the official termination of the war. The armed forces of the United States and Canada have also agreed to continue their wartime collaboration and to encourage common designs and standards in arms, equipment, organization, methods of training, and new developments.

The Inter-American Defense Board has recommended the standardization of training and equipment of the twenty-one American republics. The Inter-American Co-operation Act sponsored by the President and favorably reported to the House of Representatives will, if approved, authorize the President to enter into agreements with other American states to provide for the instruction and training of the personnel of the armed forces of these states; for the maintenance and repair of their military equipment; and for the transfer to them of arms, ammunition, and the implements of war. This legislation, if approved, will provide statutory authority for the program without the restrictions of existing legislation.

The problem is of importance primarily in connection with the inter-American defense system and involves the question of permanent statutory authority going beyond the termination of the Emergency War Powers Act. It is important also in terms of the extent to which the general program of furnishing equipment and standardization is already in existence. The broad effects of an extended program on the inter-relations of American states and, in turn, on United States relations with the other great nations, must also be considered. The problem confronts the government with the following question:

> On what basis should the United States decide whether to provide armaments to states with which it is closely associated; and should the armaments of such states be standardized with those of the United States?

c. Other Military Collaboration

The two preceding problems have outlined the extent of military collaboration now existing, or contemplated under proposed legislation, between the United States and other countries. There remain to be considered other proposed or prospective measures that may require extensive military collaboration. For example, the proposals made by the United States to enter into quadripartite 25-year treaties relating to Germany and Japan would mean that the United States would have to undertake some degree of technical military collaboration with Great Britain, the Soviet Union, France, and China. Also, in the development of regional security systems, the occasion may arise when the United States must decide whether or not to join with other nations in security arrangements for regions outside the Western Hemisphere. Such arrangements in the Far East, for example, might also require technical military collaboration with the Soviet Union, China, the Philippine Republic, Australia, New Zealand, the Netherlands, and possibly Great Britain and France.

Moreover, agreements that the United States may reach in this field might encourage other nations to form groups for the establishment of technical military collaboration in which the United States would not be included. A combination of such states for military collaboration and concerted military action might or might not be in the interest of international security and might or might not be directed against United States interests. These matters concerning military collaboration raise the following question:

> What agreements involving technical military collaboration should the United States be willing to make, in addition to those provided for in (b) and (c) above?

d. Military Bases

Adequate and strategically located military bases outside the continental limits of the United States are essential in modern war to the national defense and the defense of the Western Hemisphere. It is believed by our military authorities that base sites thus far available in territory under United States sovereignty or trusteeship do not provide adequate protection.

The United States is interested in rights to establish bases or to use bases already established in positions of strategic importance for the defense of the United States, even though these may be located in foreign territory. The United States is also interested in obtaining trusteeship over certain additional minor islands of the former Japanese Empire because of their strategic value.

In obtaining base rights in foreign territory the questions of joint use, of arrangements for reciprocal use, and of provisions for use by other states in a regional or international security system must be determined. There is the additional question of how far the United States is prepared to go in granting rights to foreign powers in the use of bases in United States territory.

Arrangements have been completed with certain Latin American states on a reciprocal basis for the use of military bases in the defense of the Western Hemisphere, and an arrangement between the armed forces of the United States and Canada has provided for similar reciprocal use of bases. An agreement with the Philippine Republic not only provides for the joint use of bases in that state but also makes the Philippine bases available in the interest of international peace and security to the Security Council of the United Nations.

In considering the extension of base rights, the probable policies of other states in reaction to the policy and claims of the United States must also be taken into account. The problem concerning bases in foreign territory may be stated as follows:

> To what extent, and under what conditions, should the United States seek to obtain military base rights in foreign territory?

PART IV

SELECTED PROBLEM PAPERS

The four problem papers in Part IV are intended to be illustrative of the type of data and the method of analysis used in preparing material for policy determination in various agencies of the Executive branch of the United States government. By comparison with the preceding Parts I, II, and III, these papers are more detailed and specific in their treatment of the problems. The problems were selected from those discussed in Part III, and each of them was considered to be the most important in its particular field.

Each problem paper in itself demonstrates the method used in the policy-making process, and together the four indicate the extent to which a reasonably uniform approach is possible, regardless of the subject matter. This is the heart of the policy-making process. That process requires that a problem be reduced to its essentials in terms of the background needed to understand it, the issue or issues requiring solution, the courses of action that are available, and the relative merits of each course. There is an incidental purpose served by the papers in Part IV, which arises more from the subject matter than from the method itself. Each of them treats a problem of major importance to American foreign policy today. It is hoped that by presenting these problems as "policy papers" the readers will have at once a keener appreciation of the complexities of each problem and a greater realization of the necessity for careful analysis before a judgment on these matters is reached or even attempted.

It should be pointed out that, while the four problem papers are presented as examples of the methods used in various governmental agencies, there is no one method used throughout the government. But despite the variations, there is a general similarity among all the methods. The method used here is a composite of several methods now prevailing in the government, and for this reason it is felt that these papers are generally representative of governmental procedure. There are certain exceptions, however, that should be noted. These arise from the circumstances in which the papers were prepared and from the general purpose they are intended to serve.

If the papers had been prepared in the government, they would reflect the use of confidential and often highly secret information that is not available to those outside official circles. The papers in Part IV have been prepared from materials available to the general public.

Each of the papers is a consideration of a problem that encompasses several specific issues. It very often happens in governmental practice that the specific issues arise individually and are spread over a period of time, thus requiring decision on each one singly. When a decision is reached, it usually constitutes a precedent for future decisions on similar questions when and as they arise and even on different questions if they involve the same fundamental principles. In each of the problem papers in this volume a broad but concrete problem has been considered, and the questions arising within the broad problem are treated together. It is believed that this will allow the reader to consider the subject in wider perspective than would be possible if a more restricted treatment had been given.

The statement of the problem in each paper follows the procedure of accepting as the frame of reference for the consideration of the problem certain established principles and objectives of the United States. The aim of these papers is to present an analysis of a problem as it actually is presented for decision within the government. There is no intention, however, to imply that established objectives, especially of a specific character, are not open to review. Declared objectives undergo constant re-examination. They are subject to change when they are found to be unsound or impracticable, either for reasons that are inherent in the objectives themselves but had not previously become apparent, or as a result of changes in the situation at home or abroad. There is no intention to imply that the users of this Study Guide should not attempt to review the objectives or to form independent judgments regarding possible alternative objectives. But so far as the papers in this volume are concerned, an adequate basis for review of the objectives would require a different and more comprehensive treatment than is attempted here.

The purpose of a policy paper as used in the government is to present the problem, to indicate the alternative courses of action that may be taken, and to present for consideration a preferred course of action, which the policy-making officer may accept or reject. The presentation of a preferred course of action is reached after a full consideration of all the possibilities. It necessarily involves a choice and presents a conclusion. It is customary, therefore, for a policy paper in the government to contain a short summary of the contents of the paper and a recommendation of the course of action to be taken. These have been deliberately omitted from the problem papers presented in this volume. The purpose here is to encourage the reader to think the problems through for himself. The omission of any recommended courses of action has a dual purpose. In the first place, it is felt that if these were included, they might predispose the reader to a point of view without having fully considered all the alternative possibilities. In the second place, the purpose is to emphasize the method of analysis by presenting all the possibilities rather than to reach conclusions. The summary preceding each problem paper therefore contains only a statement of the problem together with an explanatory note containing the reasons for the selection and other comments pertinent to an understanding of the problem.

The substantive parts of the problem papers consist in each case of two memoranda: one containing the background of the problem, and the other, an analysis of the problem and a discussion of the issues and alternatives. In general, those alternatives have been selected that in the light of the world situation actually confront the United States government today or are discernible as likely to confront it in the near future. Speculative issues and alternatives related to possible future contingencies have been generally omitted. This is in accord with usual governmental practice, for if the contingency foreseen should arise, a new or revised policy paper would be prepared in the light of the new situation. The alternatives in problem papers in this volume include not only the main possibilities that on their face seem to merit consideration on grounds of suitability, feasibility, and acceptability to the United States, but also those that have emerged from the action of other governments or have been advocated by sections of opinion in this country. Alternatives have not been included merely because they are logical, unless mention of them has been deemed desirable to sharpen the focus.

PROBLEM PAPER "A"

THE GERMAN PEACE SETTLEMENT

STATEMENT OF THE PROBLEM

To determine the terms of a peace settlement for Germany with the objective of organizing the country politically, economically, territorially, and administratively in a way that would complete and maintain disarmament and demilitarization; encourage a democratic society; and develop a stable and productive economy in keeping with the political, security, and economic patterns of Europe and the world as a whole.

EXPLANATORY NOTE

1. The German peace settlement is now widely recognized as vital to future world peace and prosperity. During the war, the Allied nations showed their determination to remove the threat of further aggression by Germany, formerly the second largest and the most powerful industrial country in Europe, and the security aspects of the German settlement were uppermost in their earlier discussions of the problem. This attitude continued to prevail after Germany surrendered. It was this determination that led to the demand in many sections of the public for a Carthaginian peace, and to the countenance that was given to the demand in some government quarters. Even during the war, however, the public was divided and confused on the treatment of Germany as was shown by the debate in the United States and other countries on the issue of a "hard" or a "soft" peace.

2. More recently, however, other aspects of the German problem have forced their way to the fore. The central importance of Germany in the European economic system before the war, especially the part it played in fitting Europe into the world economy, had been ignored by the advocates of a Carthaginian peace. Before and after their liberation the smaller Western European neighbors of Germany gave voice to their apprehensions regarding the adverse effects on them of the failure to restore German production and trade. The impediment to European recovery resulting from the continued state of economic prostration in Germany has now been almost universally acknowledged.

3. At the same time, the political importance of a stable, healthy, and even a strong Germany, provided that it is democratically based and secure from the risks of another dictatorship, has come to be recognized. An artificially weakened Germany would be an easy prey not only for dictators from within but for aggressors from without. Germany as a vassal state, or as a pawn in the game of "power politics," would not contribute to peaceful international relations. Suspicion has already been aroused among the major powers that one or the other has designs to align Germany on its side in a divided world and to use German resources in the future to obtain a preponderance of power in Europe. At almost any cost these suspicions must be dispelled, and it is being increasingly realized that the solution lies

partly in the future status of Germany. There is a growing view that, while adhering to the determination to take whatever measures are necessary to control Germany in the probationary period or longer to insure against the repetition of aggression, the concept of Germany as a nation of Pariahs should be replaced by a more realistic ideal of a Germany functioning on an economic and cultural level appropriate to its material and human resources, and with the opportunities of self-re-education which, if it seizes them, will prepare it to be received into the community of nations.

4. Negotiations among the major powers on the German settlement have given rise to some of their sharpest disagreements. The issues have been greatly complicated by the necessity, in administering the four zones of occupation, of taking decisions that presuppose agreement on policies relating to the permanent status of Germany. The disagreements on the present and future treatment of Germany reflect and in turn are reflected in disagreements among the major world powers on other important problems. The German settlement is therefore urgently needed in the interest not only of European and world economic recovery but also of world peace.

5. The narrative of events in the development of the problem of the German peace settlement to its present status in relations between the major powers is given in the Memorandum on the Background of the Problem. The issues outstanding from the Moscow Conference of 1947, which include literally all the major elements of the problem, are discussed in the Memorandum on the Issues and Alternatives. These issues confront the Council of Foreign Ministers at their London meeting in November of 1947, and the decisions taken there will have fateful consequences for the world in general and for the development of the European plan for reconstruction in particular.

PROBLEM PAPER "A"

THE GERMAN PEACE SETTLEMENT

MEMORANDUM ON THE BACKGROUND OF THE PROBLEM

1. Twice within the span of our generation German aggression has played a determining part in disturbing world peace. The political and economic controls imposed on Germany and the territorial changes made by the Treaty of Versailles did not remove the "German menace." On the contrary, the treaty was used by the National Socialist Party in the propaganda that helped to bring Hitler to power. But more important than this, once they had achieved power the Nazis cunningly exploited the disagreements among the victor nations of World War I on the enforcement of the treaty, as well as on the carrying out of other pledges to act jointly in the maintenance of international peace and security.

2. The United States, having failed to ratify the Treaty of Versailles, signed a separate treaty of peace with Germany at Berlin in August 1921 that involved no American responsibility for the future control of the defeated nation. Public apathy in the United States towards the security aspects of the German problem was so widespread in the two following decades that it was impossible for the United States government to join in any effective measures of a preventive nature against Germany. Division between the five Principal Allied and Associated Powers--Great Britain, France, the United States, Italy and Japan--that had won World War I appeared even before peace had been made. After the peace it showed itself in the relations between France and Britain on the treatment of Germany, especially on the question of the occupation of the Ruhr in 1923; while Italy and Japan pursued ends of their own that led to the Berlin-Rome Axis and finally, with the addition of Japan, to a Triple Alliance. Within five years after Hitler became Chancellor, the forces of dissolution had destroyed all semblance of the Great Power unity of twenty years earlier. Only France and Britain of the original five principal victors remained in uneasy association to confront possible German aggression or other threats to world peace. The problem of Germany and of security in general was further complicated by the policy of the Soviet Union, which shifted in the late twenties away from the immediate provoking of a world-wide revolution to building a strong national Soviet state. As the Red Army expanded into a well-equipped military machine, European fears of a militant communist Russia soon became almost as great as the fears of a militant Nazi Germany.

3. In the existing world situation, the Munich Pact of 1938 was probably as inevitable as its consequences. But American public opinion was not enlisted on the side of France and Great Britain by the Pact. On the contrary, there was a further American revulsion from the type of realism that provided the basis for such a diplomatic rapprochement. The Soviet Union, because of its exclusion from the Munich negotiations, was distrustful of the Pact as an instrument that it considered to be potentially directed against itself. The European search for security against new German aggression had finally become a unilateral, or at best an uneasy bilateral,

undertaking instead of the multilateral undertaking that was required for success.

4. The lesson of the interwar years lay primarily in the failure to achieve or maintain unity among the major powers. Therefore this paper on the German peace settlement to follow World War II opens with a description of the search for a basis of unity among the major powers that eventually found themselves allied in the war against Germany, and the difficulties in achieving it constitute the major theme in the issues that have to be discussed.

A. EARLY PLEDGES OF NO SEPARATE PEACE

5. Unity between the major Allied powers and the development of their policy on the peace settlement for Germany began with the Anglo-Soviet conversations late in the autumn of 1941. The Nazi attack on the Soviet Union in June 1941, despite the German-Soviet Neutrality Pact of 1939, made the Soviet Union and the Western European powers allies, but did not dispel their mutual distrust. Following Munich, distrust had arisen from both the Soviet and the Anglo-French fears that a German attack on the one would not be resisted by the other. Soviet suspicions were not allayed by the offer of an alliance with the Western European powers against Hitler. Moreover, Soviet demands for domination in Eastern Europe as the price of such an alliance led the Western powers to suspect the Soviet Union of having designs as aggressive as Hitler's. Their distrust was strengthened by the German-Soviet Pact of 1939.

6. Immediately after the German attack on the Soviet Union in June 1941, both Great Britain and the United States began to furnish aid to the Soviet Union as tangible evidence that Soviet resistance to the Axis was in their own best interests. Nevertheless, the old distrust remained. If the Soviet Union, in fear of being completely overrun by the Nazi invaders, were to seek a peace with Hitler, then the full Axis might would again be turned westward. On the other hand, if the Western powers were to maintain what would be, in effect, an armed truce with Hitler, all the military power of Germany would be freed for the attack on the Soviet Union.

7. Beyond these immediate fears lay an even greater potential source of mutual distrust. Defeat of Germany might well be followed by a repitition of the twenty-year period following World War I. Or it might be followed by a communist Germany, which, with its economic power combined with that of the Soviet Union, might easily become one of the greatest menaces Western democracy had ever known. Or it might be followed by a democratic Germany, which, allied with the Western democracies, might be, in the Soviet view, an immensely greater threat than Nazi Germany had ever been in 1939. In other words, the control of Germany after its defeat might well become the greatest prize of the war for any one of the major anti-Axis nations.

8. During 1941, the principal responsibility for removing these causes of mutual distrust rested on Great Britain and the Soviet Union. Early Anglo-Soviet exchanges of view resulted in the agreement of July 12,

1941, in which they undertook to give each other assistance and support of all kinds in the war against Germany and promised that they would neither negotiate nor conclude an armistice or a treaty of peace except by mutual agreement. Further Anglo-Soviet exchanges on the German question, after the United States entered the war, culminated in an announcement on December 29, 1941 of an "identity of views ... on all questions relating to the conduct of the war, and especially with regard to the necessity for the utter defeat of Hitlerite Germany and adoption of measures to render completely impossible a repetition of German aggression in the future." 1/ Two days later the Declaration by United Nations was signed in Washington, in which not only Great Britain and the Soviet Union but also the United States and every other nation arrayed against the Axis pledged its full military and economic resources in the fight against Germany and undertook not to conclude a separate armistice or peace with Germany.

9. The Anglo-Soviet pledges not to make a separate peace with Germany were reaffirmed in the Anglo-Soviet Mutual Assistance Pact of 1942, which also bound Great Britain and the Soviet Union after the war to take all measures in their power to make impossible a repetition of aggression and violation of the peace by Germany and to give all possible military and other support and assistance if the other again became involved in hostilities with Germany.

10. At an early date the United States declared its general peace objectives in respect of Germany. President Roosevelt in his message to the Congress on January 6, 1942, called for "smashing the militarism imposed by warlords upon their enslaved peoples" and promised "that this time we are determined not only to win the war but also to maintain the security of the peace which will follow." Furthermore, he declared that "no compromise" policy would end the war, but only "total victory." 2/ The American "no compromise" policy was made even more specific a year later at the Casablanca Conference, when President Roosevelt and Prime Minister Churchill proclaimed that their terms for Germany were "unconditional surrender" and that only "total elimination" of German war power, a "total and merciless destruction of the machinery they have built up for imposing totalitarian doctrines on the world" could bring peace. 3/

B. MOSCOW AND TEHERAN CONFERENCES, 1943

11. Despite these and many other assurances, suspicion and distrust among the major powers persisted throughout 1942 and into 1943. As the German armies penetrated deeper into the Soviet Union and defeat seemed to loom close for the latter, there were insistent Soviet demands for a "second front" in Western Europe to relieve the German pressure. But Great Britain and the United States were not yet able to collect sufficient military strength to mount an invasion of Western Europe in the force necessary to a successful drive into the heart of Germany. Neither the Anglo-American invasion of North Africa late in 1942 and the complete defeat of the German and Italian African armies by the early summer of 1943, nor the Anglo-American invasions of Sicily and Italy in the early autumn of 1943, were enough to satisfy the Soviet demands.

12. On the other hand, doubts existed, especially in Great Britain and the United States, about Soviet postwar intentions. The question was being asked whether even the elimination of Germany as a potential source of aggression would necessarily establish satisfactory Anglo-Soviet-American relations and ensure peace and security in the world. It was clear that peace with Germany was only a means--although a most important one--to the ultimate end of enduring peace among the major victorious powers. The significance of the Moscow Conference of October 1943 was that it appeared to resolve these doubts and, therefore, to pave the way for a German peace settlement that would be in the interests of all three powers.

13. In the Moscow Declaration of 1943, 4/ the United States, Great Britain, and the Soviet Union, along with China, first made their basic promise: "That their united action, pledged for the prosecution of the war against their respective enemies, will be continued for the organization and maintenance of peace and security." They further agreed that they would "act together in all matters relating to the surrender and disarmament" of Germany and would "take all measures deemed by them to be necessary to provide against any violation of the terms imposed." They also recognized the "necessity of establishing at the earliest practicable date a general international organization ... for the maintenance of international peace and security." But to guard against new aggression during the interim period and pending the "inauguration of a system of general security," they agreed to "consult with one another ... with a view to joint action on behalf of the community of nations."

14. Further decisions of the Moscow Conference with regard to Germany involved territorial questions, war criminals, and the creation of machinery to ensure close co-operation among the three powers in examining the German problem. The Nazi annexation of Austria, the first victim of German aggression, was declared void and the three powers declared that they wished to see a free and independent Austria re-established. It was agreed that German war criminals guilty of crimes in any of the occupied territories would be returned there to be tried and punished, while the major war criminals would be punished by joint decision of the three powers. Finally, a European Advisory Commission, comprising representatives of the three powers, and with headquarters in London, was established to make joint recommendations on Germany and other European problems.

15. The Moscow Conference was followed a month later by the Teheran Conference, where President Roosevelt, Prime Minister Churchill, and Premier Stalin met together for the first time, and finally reached agreement on an invasion of Western Europe timed to coincide with a great Soviet offensive in Eastern Europe. The Soviet offensive in the East was launched in May 1944, and the Anglo-American invasion of Western Europe began in June.

C. MAJOR ISSUES, 1944

16. The success of the Allied invasion and of the Soviet offensive in the summer of 1944, and the consequent conviction that defeat of Germany was but a matter of time, brought to a climax public discussion, especially in the United States, regarding the future of Germany. The

Dumbarton Oaks conversations in August and September of 1944 resulting in the proposals for the United Nations Charter had made it clear, in what later became Article 107 of the Charter, that control of defeated Germany was not to be the responsibility of the International Organization. The major powers reserved that responsibility for themselves. Furthermore, the Dumbarton Oaks Proposals also reaffirmed, in what later became Article 106 of the Charter, the agreement covering transitional security arrangements contained in the Moscow Declaration, under which the United States, Great Britain, the Soviet Union, and China bound themselves during the interim period when the United Nations Organization was not itself capable of maintaining peace and security to consult among themselves with a view to taking joint action on behalf of the community of nations in the event of a threat to the peace such as might be presented by Germany. Later, at the San Francisco Conference, France also accepted this obligation.

17. But it was also clear that the Allied air operations against Germany, which were reaching new intensity as the Allied armies advanced into Central Europe, and the dogged resistance of the Nazis in face of certain defeat, meant that the surrender of Germany would be accompanied by great confusion. Secretary of State Hull had pointed out in April 1944 that when the Nazis surrendered they would "inevitably leave behind them in Germany and the satellite states of southeastern Europe a legacy of confusion." He concluded that it was essential for the Allies to "establish the controls necessary to bring order out of this chaos as rapidly as possible and do everything possible to prevent its spread to the German-occupied countries of eastern and western Europe while they are in the throes of re-establishing government and repairing the most brutal ravages of war. If confusion should spread throughout Europe it is difficult to overemphasize the seriousness of the disaster that may follow." 5/

18. Public discussion in 1944, both in the United States and abroad, indicated substantial agreement on many of the issues of the peace settlement with Germany. It was generally agreed that strict occupation and control by the Allied authorities after the surrender would be required, but the form and extent of those controls and the time that they would have to remain in force were uncertain. The control mechanisms depended largely on what was to be done with defeated Germany. There was also general agreement that the German land, sea, and air forces must be totally disarmed and disbanded, the German General Staff abolished, and armaments and munitions industries that were not convertible to peacetime use destroyed. Denazification was to be carried out and war criminals punished. Stolen property was to be restored and all German assets outside Germany seized for compensation. Furthermore, the future Germany was, at the very least, to be reduced to the boundaries preceding the Nazi occupation of Austria.

19. Beyond these areas of more or less general agreement lay the principal issues on which there was violent disagreement. First was the general question of the political future of Germany and of the means that might be used to preclude a new rise of militant German nationalism. At one extreme were proposals for the outright partition of Germany into several states and the complete abolition of the central government. While those who opposed these proposals recognized the dangers inherent in a

highly centralized German government in view of experience with a dominant Prussia, nevertheless they proposed the maintenance of a unified Germany with a central government of limited political responsibilities and with power largely residing in the German states. In some degree, those who maintained the latter position were influenced by the economic issue, which in turn involved the questions of further disarmament, reparation, and territorial compensation.

20. Those who firmly believed that the "German problem" would always exist until Germany was completely disarmed in the sense of abolishing its war-making potential advocated not only the decentralization of Germany but its reduction to an agrarian economy. To this it was objected by others that the complete economic disarmament of Germany would not only make it a permanent relief burden on the rest of the world, but would also pauperize Europe because of Germany's traditional economic role as a market and a workshop. They therefore proposed either a "level of industry" less than that of the prewar period but sufficient to provide exports to cover essential German imports; or the operation of the German economy at about the prewar level under strict controls that would hold down the German standard of living and siphon off the resulting production surplus in the form of reparation. Opponents of the complete economic disarmament of Germany were also proponents of the postwar operation of the German economy as a unit, which implied some form of central German government responsible for central legislation and administrative services.

21. Under the first two economic alternatives--complete economic disarmament or a minimum level of industry--reparation would be limited principally to removal from Germany of a part of existing capital equipment. Reparation under the third alternative would be limited only by the length of time that the over-all controls remained in effect.

22. Territorial questions were linked to the political, economic, and reparation issues. The two principal territorial questions were those concerning the future of the Ruhr-Rhineland area in Western Germany and the areas, if any, in Eastern Germany that were to be transferred to Poland. By the autumn of 1944, the Soviet armies had driven deep into Poland where the line of military operations became temporarily stablizied east of Warsaw. The Soviet-Polish boundary dispute, arising out of the German-Soviet partition of Poland in 1939, was as yet unsettled, and the London Polish Government-in-Exile had shown no disposition to accede to Soviet demands for a settlement along the Curzon Line, with compensation for Polish losses of territory in the east by the acquisition of German territory in the west. Regardless of this dispute, there were also Polish demands for acquisition of the German industrial areas of Upper Silesia as compensation for destruction wrought by the Germans in Poland.

23. The Ruhr-Rhineland area presented a different problem. It constitutes the "industrial heart" of Germany, and if it were detached, complete economic disarmament of the country could be obtained with practically one stroke. French fears of a possible future German threat made this territorial change an attractive solution of the whole German problem. Control of the Ruhr--once detached--would, however, be a difficult economic task in view of the reparation demands, since the area is not self-sufficient and

would require large imports of food and other materials to maintain a high level of exports. It is also a difficult political problem.

24. But both of these major territorial changes were bound to present grave dangers in that they could become great springboards for future irredentist movements in Germany. Strict surveillance of Germany would be required in order to guard against this danger. Moreover, strict control of Germany for an indeterminate period seemed to be indispensable to resolve all the major issues of political reconstruction, economic disarmament, and reparation. If control were to be effective, it would have to be a joint one by the major Allied powers, especially the United States, Great Britain, and the Soviet Union. Otherwise the old fears might be raised that one or more powers would use a reconstructed Germany against the others. Joint control, however, also meant mutual agreement on over-all policies.

D. THE MORGENTHAU PLAN

25. A violent controversy developed late in the summer of 1944 inside the United States government regarding the control of a defeated Germany, with results that had a profound effect on Allied policies toward Germany. While no official account of this dispute has ever been given, it appears to have begun after Secretary of the Treasury Morgenthau's return late in August 1944 from a tour of the Western battlefront headquarters and a visit to London where the European Advisory Commission was then in session. Secretary Morgenthau is reported to have been astonished to learn that no basic policy for the occupation and control of Germany had yet been developed either by the European Advisory Commission or by the military authorities at Supreme Allied Headquarters in France. He began to outline a policy while he was in Europe and developed it in greater detail upon his return to the United States. His proposal, known as the "Morgenthau plan," appears to have been strongly opposed by the Department of State. 6/

26. Nevertheless, the Morgenthau plan provided the basis for the British-American discussions at the Quebec Conference in September 1944, and many of the basic principles of the plan not only represented the official position of the United States government at the Quebec Conference, but also later at the Yalta and Potsdam Conferences. The objectives of the plan were to a large extent embodied in the Potsdam Agreement. For these reasons the details of the original plan assume significance.

27. In brief, the Morgenthau plan sought to accomplish in the shortest possible time a permanent reduction of the industrial potential of Germany in the interests of security by partitioning the country and pastoralizing its economy. Under the plan, Germany was to be partitioned into three parts: a North German State and a South German State, both being loose confederations of smaller German states; and a Ruhr-Rhineland area (including the Kiel canal) as an international zone under the control of the United Nations Organization. Permanent economic disarmament was to be obtained through the total destruction of the whole German armament industry, the removal or destruction of other key industries that were basic to military strength, and territorial changes.

28. The Ruhr-Rhineland area was to be stripped of its industries and the mines closed. Industrial plants and equipment removed from this area, as well as from the new North and South German States, were to be distributed among the devastated states as reparation; and forced German labor was to be used outside of Germany also as reparation. But no other reparation, such as future payments or deliveries of goods from current production, was to be demanded.

29. Territorial changes in the east were to include the division of East Prussia between Poland and the Soviet Union and the transfer to Poland of the industrial areas of Upper Silesia. In the west, France was to receive the Saar and adjacent territories bounded by the Rhine and Moselle rivers.

30. Adequate controls, including controls over foreign trade and "tight" restrictions on capital imports, were to be maintained for a period of at least twenty years by the United Nations. The controls were to be designed "to prevent in the newly-established states the establishment or expansion of key industries basic to the German military potential and to control other key industries." 7/ Primary responsibility for long-term policing and control of Germany was to be given to the military forces of Germany's continental neighbors, including both France and the Soviet Union, but excluding Great Britain. Under such arrangements, United States forces could, it was forecast, be withdrawn in a relatively short time.

31. The extent of British acceptance of the Morgenthau plan at the Quebec Conference has never been officially announced. Evidence based on later events indicates, however, that the concept of complete economic disarmament was not accepted, for in practice the concept of a minimum level of industry was adopted. Nor is it known whether the complete Morgenthau plan was ever officially placed before the Soviet government. Evidence based on later events, however, supports the view that certain features of the plan, especially those involving reparation and eastern territorial changes, were proposed to and accepted by the Soviet Union.

E. THE YALTA AGREEMENT

32. While the future control and treatment of Germany were the subject of discussion by the three major powers at the Teheran Conference, so far as is known, no agreed decisions were reached there. 8/ It was not until the Yalta Conference in February 1945 that major decisions were taken. Prior to Yalta, however, three other developments occurred late in 1944 that had a great bearing on the efforts of the three powers to reach agreement on Germany.

33. Following the liberation of France in the early autumn of 1944, the French Provisional Government, under the presidency of General De Gaulle, began to play a more important role in the issues relating to Germany. In November 1944 the United States, Great Britain, and the Soviet Union recognized this role by inviting France to join in the deliberations of the European Advisory Commission. At approximately the same time France started negotiations with the Soviet Union on the German problem. A

precedent for these negotiations had been set in the Anglo-Soviet exchanges in 1941 and 1942 that resulted in the Treaty of Alliance of 1942. The Franco-Soviet negotiations were intended to remove the mutual distrust and suspicion that had persisted between the two countries since the Soviet-German Pact of 1939, and they culminated in the Franco-Soviet Treaty of Alliance and Mutual Assistance of December 1944.

34. The Franco-Soviet Alliance 9/ repeated the pledges given by both countries in adhering to the Declaration by United Nations, to render full aid and assistance to each other in the fight against Germany and not to make a separate armistice or peace with Germany. The Alliance went one step further however, by also pledging both parties not to make a separate peace treaty "with any other government or authority set up in Germany for the purpose of the continuation or support of the policy of German aggression," presumably regardless of whether such government were created by German or Allied initiative. On the model of the Anglo-Soviet Alliance, the Franco-Soviet Alliance bound France and the Soviet Union to take jointly all necessary measures for the elimination of any new threat coming from Germany, but it also went further and bound both parties to "obstruct such action as would make possible any new attempt at aggression" on Germany's part, again presumably regardless of whether such action was initiated inside or outside Germany. Finally, the Franco-Soviet Alliance carried the usual provision binding each of the parties to give "every aid and assistance within its power" to the other if one of them became involved in hostilities with Germany.

35. Concurrently with the French negotiations, the Soviet Union was dealing with the Polish question. Failure to reach agreement with the London Polish Government led to the creation of a Soviet-inspired, communist-controlled, Polish Provisional Government at Lublin. The Soviet Union recognized the Lublin regime as the de facto government of Poland, and the Soviet offensive in Poland, which had been stalled for several months, got under way again in January 1945.

36. Both the Franco-Soviet negotiations and the Soviet attitude on the Polish question reinforced a widespread belief in the United States that the deep roots of Soviet suspicions and distrust of the Western powers still lay in the fear that these powers after World War II might attempt to direct the military power of a revived Germany against the Soviet Union. And the growing network of Soviet bilateral alliances in Eastern Europe directed against Germany, together with Soviet unilateral actions already being taken in these areas, appeared further to substantiate this view. In an attempt to overcome this distrust, Senator Vandenberg, a leading Republican Party spokesman on foreign affairs, proposed in the United States Senate, on January 10, 1945, that the United States join with the other major powers, and especially the Soviet Union, in a multilateral pact for such joint military action in the future as would be required to keep Germany demilitarized. The treaty that Senator Vandenberg strongly recommended was unprecedented for the United States in that this country would be bound, in conjunction with the other major Allies, to a military alliance under which it would take instant action in case of a revival of German aggression. Senator Vandenberg openly declared his belief that immediate negotiation of the treaty would remove the "confusions, doubts and frustrations" that underlay

current relationships among the major powers. No action was taken immediately on Senator Vandenberg's proposal, but it was in the background of the negotiations a month later at the Yalta Conference.

37. At Yalta, the United States, Great Britain, and the Soviet Union made several decisions on the future of Germany, most important among them being the one on reparation. It was agreed that reparation in kind would be exacted from Germany in three forms: removals of capital plant and equipment from Germany chiefly for the purpose of destroying its war potential; annual deliveries of goods from current German production; and use of German labor. An Allied Reparation Commission, comprising representatives of the three powers, was created to work out a detailed plan upon the basis of this agreement. The Soviet Union proposed, and the United States agreed, to take "as a basis for discussion," a total German reparation figure of 20 billion dollars covering the first two categories above, of which 10 billion dollars would go to the Soviet Union. Great Britain refused to agree to a fixed figure, however, even as the basis of discussion, until the Commission had had a chance to consider the question.

38. Discussions on occupation arrangements in the European Advisory Commission had reached a point where, at the Yalta Conference, several important decisions were taken. Agreement was reached on the three-power zonal system for the occupation of Germany with an Allied Control Council for Germany as the central occupation agency. It was also agreed that France would be assigned a zone to be created out of the British and American zones and invited to become a member of the Allied Control Council. The European Advisory Commission was instructed to study a procedure for such dismemberment of Germany as might be necessary for future peace and security. And finally, the Foreign Ministers were instructed to study the question of the major German war criminals, in the light of the Moscow agreement of 1943 that these criminals were to be punished by a joint decision of the three powers.

39. Next to reparation the most important decision of the Yalta Conference in regard to Germany involved territorial changes arising out of a three-power agreement on a solution to the Polish problem. It was agreed that the Lublin Provisional Government would be reorganized, with the assistance of the three powers, into a Polish Provisional Government of National Unity by including leaders from the London Polish Government, and that the new Provisional Government would then be recognized by all three powers. The eastern frontier of Poland was set approximately at the Curzon Line, representing a substantial loss of Polish territory to the Soviet Union, but it was recognized that Poland must receive substantial territory in the north and west, that is, in East Prussia and Upper Silesia, although the final delimitation of the western frontier of Poland was to await the peace conference.

F. SURRENDER AND OCCUPATION OF GERMANY

40. Three months after the Yalta Conference, the final Allied offensives reached their climax in the complete defeat of Germany and its surrender on May 8, 1945, to the United States, Great Britain, the Soviet Union, and France. The defeat of Germany brought with it political and

economic collapse and social chaos. Destruction elsewhere, especially in Eastern and Southern Europe, caused by both the retreating Germans and the military operations against them, was on an unprecedented scale. The end of the European phase of the war had brought even greater confusion and suffering in Europe than had been expected.

41. In April 1945, prior to the German surrender, but in anticipation of it, the basic objectives of United States occupation policy in Germany were set forth in a directive (commonly known as JCS 1067) to General Eisenhower, then Commander of United States forces in the European Theater. This directive was important since its basic principles were largely incorporated in subsequent multilateral agreements regarding Germany. It stated that:

> "Germany will not be occupied for the purpose of liberation but as a defeated enemy nation. ... The principal Allied objective is to prevent Germany from ever again becoming a threat to the peace of the world. Essential steps in the accomplishment of this objective are the elimination of Nazism and militarism in all their forms, the immediate apprehension of war criminals for punishment, the industrial disarmament and demilitarization of Germany, with continuing control over Germany's capacity to make war, and the preparation for our eventual reconstruction of German political life on a democratic basis." 10/

It was also stated that the economic controls were to allow a standard of living just sufficient to avoid starvation, widespread disease, or civil unrest.

42. The instrument for the military surrender of Germany provided that it would be superseded later by a general instrument of surrender to be imposed by the major Allied powers. On June 5, the general instrument of surrender and the agreements regarding the zones of occupation and the control machinery for Germany were promulgated in a four-power declaration. The United States, Great Britain, the Soviet Union, and France jointly assumed "supreme authority with respect to Germany, including all the powers possessed by the German Government, the High Command and any state, municipal or local government or authority" and agreed that they would jointly thereafter "determine the boundaries of Germany or any part thereof and the status of Germany or of any area at present being part of German territory." 11/ Withdrawal was required of all German armed forces to positions behind the frontiers existing on December 31, 1937, the forces were to be completely disarmed, and all weapons and munitions of war turned over to the Allied powers. Further, it was provided that Allied representatives would "impose on Germany additional political, administrative, economic, financial, military and other requirements arising from the complete defeat of Germany" 12/ and all German authorities and the German people were bound to "carry out unconditionally" the terms of surrender and all other requirements imposed upon them by the Allied authorities.

43. For purposes of occupation, Germany was divided into four zones, one allotted to each of the four powers as follows: an eastern zone, centering on Berlin. to the Soviet Union; a northwestern zone, comprising

the Ruhr and the Kiel Canal area, to Great Britain; a southwestern zone, centering on Bavaria, to the United States; and a small western zone, including the Saar, upper Rhineland, and Baden, to France. The area of "Greater Berlin" was to be occupied by forces of all of the four powers and to be administered jointly by them.

44. Supreme authority in Germany was vested in the Soviet, British, American, and French Commanders-in-Chief, each in his own zone of occupation, and also jointly in the Allied Control Council, which comprised the four commanders, in matters affecting Germany as a whole. Decisions of the Council were to be unanimous, and the net effect was that when the Council was unable to reach agreement, each occupying power was free to do as it wished in its own zone of occupation.

45. The Soviet zone approximated the "North German State" of the Morgenthau plan, the American zone the proposed "South German State," and the British zone the proposed "Internationalized Zone."

G. THE POTSDAM AGREEMENT AND ITS IMPLEMENTATION

46. The agreements of June 5, 1945 were sufficient for operations during the period when Germany was carrying out the basic requirements of its unconditional surrender. But they also provided that further arrangements for the control and treatment of Germany were to be the subject of a subsequent separate agreement, and this was made at the Potsdam Conference, which was held from July 17 to August 2, 1945, after having been delayed to permit the completion of the San Francisco Conference and the preliminary work of the Allied Commission on Reparation.

47. At the San Francisco Conference, a specific provision was made in the United Nations Charter, on the initiative of France and supported by the Soviet Union, relating to alliances to prevent a renewal of German aggression, such as the Anglo-Soviet Alliance of 1942, the Soviet-Czech Alliance of 1943, and the Franco-Soviet Alliance of 1944. Under Article 53 of the Charter, military action against Germany could be taken by the parties to treaties of this type without the express authorization of the Security Council. This blanket authority remains in effect "until such time as the Organization may, on the request of the Governments concerned, be charged with the responsibility for preventing further aggression" by Germany. This provision was in addition to Articles 106 and 107, which dealt with transitional security arrangements and had appeared in the Dumbarton Oaks Proposals.

48. The Allied Commission on Reparation began its sessions at Moscow late in June 1945 and ended them just prior to the Potsdam Conference. The principal point at issue, and one that the Commission did not resolve, involved German reparation from current production. While the United States raised no objection to the principle of reparation in kind from current production, which had been agreed to at the Yalta Conference, it insisted, against Soviet opposition, that such reparation should not begin until commercial exports from Germany were sufficient to pay for the cost of necessary imports. Otherwise, it was maintained, the reparation experience after World War I would be repeated and loans to Germany by one country would be paid out in reparation to another.

49. The comprehensive agreement on Germany that was negotiated at the Potsdam Conference covered both the political and the economic principles that were to govern the treatment of Germany in the initial control period; the reparation to be exacted from Germany; the disposal of the German navy and merchant marine; territorial changes in Eastern Germany; major German war criminals; and the orderly transfer of German populations.

50. The Potsdam Agreement first reaffirmed the basic principle of the surrender terms of June 5, that supreme authority in Germany was vested in the Soviet, British, American, and French Commanders-in-Chief, and was exercised by each in his own zone of occupation under instructions from his respective government. Complete disarmament and demilitarization of Germany and the elimination or control of all German industry that could be used for military production was to be the first purpose of the occupation of Germany. Full denazification measures were to be undertaken, war criminals punished, and the judicial system reorganized. German education was to be controlled to eliminate Nazi doctrines and to make possible the successful development of democratic ideas.

51. Permanent partition of Germany, as the Morgenthau plan had contemplated, was not proposed. But it was agreed that "administration in Germany should be directed towards the decentralization of the political structure and the development of local responsibility" 13/ through the restoration of local self-government on democratic principles, the encouragement of democratic political parties throughout Germany, and the introduction of representative and elective principles into the regional, provincial, and state administrations. No central German government was established for the time being, but it was agreed to establish under the direction of the Allied Control Council certain essential central German administrative departments such as finance, transport, communications, foreign trade, and industry.

52. The economic principles of the Potsdam Agreement reflected more clearly the basic objectives of the Morgenthau plan. While, in line with the refusal to partition Germany, it was agreed that Germany should be treated as a single economic unit during the period of occupation, it was also agreed that in the reorganization of the German economy, primary emphasis was to be given to the development of agriculture and peaceful domestic industries, and decentralization of the economy was to be undertaken to eliminate excessive concentration of economic power in cartels and trusts. Production of weapons and implements of war was prohibited and the level of industrial production to be permitted was primarily one sufficient to maintain in Germany average living standards that would not exceed the average of the standards of living of European countries, excluding Great Britain and the Soviet Union, and to carry out the necessary import and export programs. Furthermore, it was provided that the proceeds from exports of current production were to be available first to pay for required imports, and that payment of reparation should leave enough resources to enable the German people to subsist without external assistance.

53. For reparation purposes, Germany was divided into two zones, an eastern zone, which was the same as that occupied by the Soviet Union, and a western zone comprising the three zones occupied by Great Britain, the

United States, and France. Reparation claims of the Soviet Union, which undertook to settle the reparation claims of Poland from its own share of reparation, were to be met by: removals from the eastern zone; seizure of German external assets in Bulgaria, Finland, Hungary, Rumania, and Eastern Austria; and deliveries of 25 per cent of the usable and complete industrial capital equipment in the western zone that was not required for the German peace economy, with the stipulation that 15 per cent of such deliveries were to be in exchange for an equivalent value of food, coal, potash, zinc, timber, clay products, petroleum products, and similar commodities to be delivered to the western zone by the Soviet Union, beginning as soon as possible and continuing over a period of five years. The Potsdam Agreement did not specify whether those commodities should come exclusively from the Soviet occupation zone, but it was apparent that not all the commodities listed were indigenous to that zone. Therefore, it must have been foreseen that they would also have to be delivered from the Soviet Union or Poland. Reparation claims of the United States, the United Kingdom, and other countries entitled to reparation were to be met from the western zone and from German external assets except those in Eastern Europe earmarked for the Soviet Union.

54. Reparation was confined to capital plant and equipment to be taken from Germany and to seizure of German external assets. Reparation from current production was not included within the scope of the Potsdam agreement. This is one of the most disputed provisions of the agreement. The provision stated that reparation claims of the Soviet Union were to be met by removals from its zone of occupation, and those of Great Britain, the United States and other countries were simply to be met from the western zone. In practice, the Soviet Union has interpreted "removals" to include both capital plant and goods from current production. But President Truman upon his return from Potsdam clearly stated that: "Reparations ... are to be paid in physical assets from those resources of Germany which are not required for her peacetime subsistence. The ... purpose ... is to take out of Germany everything with which she can prepare for another war ... [and] to help the devastated countries to bring about their own recovery by means of the equipment and material taken..." 14/

55. The use of German labor, one of the forms of reparation agreed to at the Yalta Conference, was also not covered by the Potsdam Agreement. But there appeared to be little need for the agreement to include labor since Article 2 of the formal surrender instrument of June 5 specified that while all members of the German armed forces that came into the custody of an Allied power were to be regarded as prisoners of war, pending further decisions they were subject to the conditions and directions that each Allied power might prescribe. Each of the major powers was therefore free to use prisoners subject only to rules of international law relating to prisoners of war.

56. Responsibility was vested in the Allied Control Council to determine the amount and character of capital plant and equipment unnecessary for the German peace economy and therefore available for reparation, subject to the final approval of the commander in the zone from which the equipment was to be removed.

57. In so far as the German navy and merchant marine were concerned, the tonnage still afloat was to be divided equally among the Soviet Union, Great Britain, and the United States. The latter two countries agreed to provide out of their shares of the merchant marine appropriate amounts of tonnage for other Allied states whose merchant marines had suffered heavy losses in the war. The Soviet Union agreed to a similar arrangement for Poland. German inland and coastal ships necessary to the maintenance of the basic German peace economy were excluded from the shipping thus to be divided. The agreed division of the navy was carried out in January 1946, and of the merchant marine in March 1946.

58. Territorial changes in Eastern Germany were agreed to "pending the final determination of territorial questions at the peace settlement." East Prussia was partitioned between the Soviet Union and Poland, the former receiving the northern portion, including the City of Koenigsberg and its adjacent area. Poland's western frontier was moved to the line of the Oder and Western Neisse Rivers, and these former German territories, as well as the Polish share of East Prussia, were placed under Polish administration and therefore were no longer to be considered part of the Soviet zone of occupation in Germany.

59. It was recognized that these territorial changes would require the transfer of German populations, and it was known that Czechoslovakia and Hungary had both been forcibly deporting German minorities to Germany since the end of the war. The three powers agreed that any transfers that took place should be effected in an orderly and humane manner, and instructed the Allied Control Council to examine the problem, especially with reference to the equitable distribution of repatriated Germans among the four occupation zones.

60. Finally, the three powers took note of the discussions then in process covering the procedure to be used in trying and punishing the German war criminals, and within a week after the Potsdam Conference ended, agreement was reached among the United States, Great Britain, the Soviet Union, and France. An International Military Tribunal was established, the first list of defendants was drawn up by the end of August 1945, indictments were filed in October against twenty-four major German war criminals, including such outstanding figures as Goering, Hess, and von Ribbentrop, and the so-called "Nuremberg Trial" began a month later. The trial lasted a year, sentences were passed, and executions carried out.

61. Disputes over the Potsdam Agreement began almost as soon as it was made, and varying interpretations of its provisions have caused endless difficulties ever since. Another great source of difficulty has been the refusal of France to be bound by the agreement since it was not among the Potsdam conferees. This official French attitude has been reflected most seriously in the work of the Allied Control Council for Germany and in the several Foreign Ministers' consultations on Germany.

62. In the months following the Potsdam Conference several major steps were taken to implement the decisions reached. Following up both the four-power declaration of June 5 and the Potsdam Agreement, the Allied Control Council on September 20 announced further requirements with which

Germany had to comply. Among other things, the Allied representatives formally assumed responsibility for all matters affecting Germany's relations with other countries; control of the communications and transportation systems; all industrial, trade, and financial activities, including property rights therein; and export and import of commodities. Control of German political and economic life was then complete, and direction of the country's destiny rested solely in the hands of the Allied representatives.

63. In November 1945 Great Britain, the United States, and France called a Conference on Reparation at Paris for the primary purpose of agreeing upon a division of the reparation to be taken from the western zone of Germany and of the German external assets that were to be seized. Late in December agreement was reached on the shares to be distributed among eighteen claimant nations. Under the agreement, Great Britain, the United States, and France were to receive more than 62 per cent of the capital plant and equipment to be removed from the western zone and about 72 per cent of all the other assets to be taken as reparation. Agreement was also made at Paris to establish an Inter-Allied Reparation Agency as the machinery for effecting the actual allocation of the reparation in accordance with the agreement.

64. A third major step in implementing the Potsdam Agreement was the determination of the amount of industrial capital equipment not necessary to the German peace economy and therefore available for reparation. This task was assigned to the Allied Control Council and was not completed for eight months. Four-power agreement on the peacetime level of industry to be allowed Germany was fundamental to this undertaking. At one extreme, Great Britain favored a relatively high level of industry that would permit rapid economic recovery and prevent Germany from being a continuing economic drain on the occupying powers. At the other extreme, the Soviet Union advocated a very low level of activity in order to permit large reparation removals and to keep Germany comparatively weak for security reasons. While the United States took the view at the outset that reparation removals would undoubtedly retard Germany's economic recovery, the level of industry upon which agreement was being sought in order to determine those removals was not designed to impose permanent limitations on the German economy. The United States position was that final Allied decisions regarding restrictions to be maintained on German industrial capacity and production would not be made until the framing of the peace settlement with Germany. Furthermore, in the United States view, the interim period thus envisaged would end in February 1948, after which the resources then available to Germany should be subject to lessening controls and the limitations that remained should be designed solely to prevent German rearmament and not to restrict or reduce the standard of living.

65. The compromise that was reached fixed relatively low capacities for heavy industries most directly related to war potential, such as the steel industry, and rather substantial capacities in light industries that served only peaceful ends. The final agreement, bearing the formidable title of "The Plan for Reparations and the Level of Post-War German Economy in Accordance with the Berlin Protocol," was unanimously approved by the Allied Control Council on March 28, 1946. It was based upon five guiding principles: (1) elimination of German war potential and the industrial

disarmament of Germany; (2) payment of reparation as agreed at Potsdam; (3) development of agriculture and peaceful industries; (4) reduction of German living standards to the European average; and (5) retention in Germany, after payment of reparation, of sufficient resources to enable it to maintain itself without external assistance. Further, the plan was based upon these assumptions: that the postwar population of Germany would be 66.5 millions; that Germany would be treated as a single economic unit; and that Germany would find a market for its exports.

66. In the light of these principles and assumptions, all German industries were divided under the plan into three classes: prohibited industries, restricted industries, and unrestricted industries. Prohibited industries included all industries directly involved in armaments manufacture plus such industries as synthetic gas and oil, rubber and ammonia, and heavy machine tools of certain types. Restricted industries included the metallurgical (of which steel was the most important), the chemical, and machine manufacturing and engineering. Coal production was to be "maximized," potash was to be produced liberally, and certain industries were designated as "unrestricted," including building, furniture and woodwork, and others directly related to civilian reconstruction. Furthermore, sufficient industrial capacity was to be retained to produce an annual export-import balance of about 1.2 billion dollars (1936 prices).

67. In general, the plan contemplated that Germany's postwar level of industry would be between 50 and 55 per cent of the level in 1938. In the case of steel, the postwar capacity was to be 7.5 million tons, or almost 40 per cent of the prewar capacity, but was to be so far as practicable concentrated in the older plants, leaving the newer plants available for reparation; while the actual production was not to exceed 5.8 million tons without the specific approval of the Allied Control Council.

68. While negotiations for the level-of-industry agreement were proceeding, events were moving swiftly inside Germany. The eastern territorial changes resulted in a wave of forced German emigration westward, which, when added to the German refugees who had fled before the advancing Soviet armies, increased enormously the population and the economic difficulties in the British and American zones. These difficulties, and the burden on the occupying powers, would in any case have been great because of the shortages of food and raw materials in Germany resulting from the chaos following the German dismemberment and collapse. The Soviet Union's outright looting of its occupation zone, and its subsequent failure to deliver commodities westward in exchange for removals and shipment of capital plant and equipment from the western zones, heightened the distress. And finally, the continuing inability of the Control Council to agree on procedures whereby Germany would be treated as an economic unit in accordance with the Potsdam Agreement intensified all other problems.

69. The partition of Germany under the system of occupation zones proved to be highly uneconomic. While there were several interzonal coordinating bodies in existence, they were inadequate for the task at hand. There was no sharing of resources among the zones, no common foreign trade, foreign exchange, or banking and currency policies. Nor were there any common mail, telephone, telegraph or railroad practices. Trade between the zones was almost negligible in comparison with prewar years.

70. The heaviest burden of this political and economic partition of Germany fell on the British and American zones. Combined net expenditures at an annual rate of 500 million dollars were being required from the two governments to provide for their zones, of which 200 million dollars represented United States outlays. Food and materials shortages in the British zone were especially hampering the recovery in the mining of coal that Western Europe so seriously needed, and the world shortages of food and materials made it impossible to get adequate supplies even if finance were available.

71. Agreement on the level-of-industry plan did not induce agreement on economic unification. Consequently, on May 8, 1946, the United States representative on the Allied Control Council stopped reparation deliveries from the United States zone until the Soviet Union and France were prepared to carry out all of the economic principles of the Potsdam Agreement. This action had the practical effect of deadlocking the Council on all other major economic and political issues, a deadlock that it has not yet overcome. Attempts to resolve the issues of the German occupation and settlement were then transferred to the Council of Foreign Ministers and other high-level discussions.

H. THE PARIS MEETINGS OF THE COUNCIL OF FOREIGN MINISTERS

72. Throughout the fall and winter of 1945-46, the Soviet radio and press had continued to charge that disarmament in the western zones of Germany was not proceeding as rapidly as it should. It was hinted that these delays were intentional and that they might be a prelude to a deliberate policy of rebuilding German strength as a bulwark against the Soviet Union. Moreover, overt Soviet intervention in the countries of eastern and southern Europe was being excused on the grounds that it was necessary to build a security system against a renewed threat of German aggression.

73. To overcome these Soviet fears and to aid in resolving the security aspects involved in the deadlock in the Allied Control Council over the establishment of German central administrative agencies, Secretary of State Byrnes formally proposed on April 29, 1946, at the first Paris Meeting of the Council of Foreign Ministers, a twenty-five year quadripartite treaty for the disarmament and control of Germany. The idea of the treaty had been discussed with the Soviet Union at the Moscow Conference in December 1945, and a draft had been circulated to Great Britain, France, and the Soviet Union in February 1946. Under the proposed treaty the United States would join these three states in taking detailed steps, each in its own zone, to disarm Germany and, after the military occupation was terminated, to establish through a four-power Control Commission a quadripartite system of inspection to assure that violations of the disarmament terms for Germany did not occur. In the event of violation, the four powers would "by common agreement, take such prompt action--including action by air, sea or land forces--as may be necessary to assure the immediate cessation or prevention of such violation." 15/

74. While Great Britain and France openly favored the proposed treaty in principle, the Soviet Union objected on two counts. First, it

expressed the fear that the treaty might delay immediate disarmament; and second, it believed that consideration of the treaty might be delayed until after the peace settlement since the treaty could not become effective until that time. United States efforts at this first Paris meeting to have deputies of the Foreign Ministers appointed to prepare a peace settlement for Germany for consideration at an early Allied conference were unsuccessful.

75. At the second half of the Paris Meeting of the Council of Foreign Ministers from June 15 to July 12, 1946, Secretary Byrnes renewed his proposals for a quadripartite treaty and a preliminary study of the German peace settlement. The Soviet Union once more refused to consider the proposed treaty, principally on the ground that it permitted termination of the German occupation irrespective of fulfillment of the reparation deliveries. The Soviet Union also used the occasion to insist that 10 billion dollars of reparation from Germany--the figure discussed at the Yalta Conference--be "exacted without fail." 16/ The United States denied that its draft treaty was an indirect proposal for terminating the occupation or that it was in any way designed to deal with the reparation issue raised by the Soviet Union. Bitter exchanges between Secretary Byrnes and Soviet Foreign Minister Molotov on the subject of both German occupation policies and the peace settlement then followed, in the course of which important shifts in policy were announced by the Soviet Union, France, and the United States.

76. Some aspects of the Soviet Union's new proposals for Germany represented a radical shift in policy. First, the Soviet Union opposed a forced partition of Germany or the imposition of a particular form of government--such as a federal state--on the country. Instead, it favored a plebiscite to determine the political future of Germany. Second, in the Soviet view, economic disarmament of Germany required that the Ruhr area be put under four-power control in order to prevent a revival of war industries. Third, the Soviet Union proposed that "peaceful" industries in Germany should receive the opportunity to develop on a wider scale and that obstacles should not be put in the way of increased output of steel, coal, and manufactured products of a peaceful nature provided that proper Allied control was established over German industries, especially in the Ruhr area. Fourth, before a peace treaty could be concluded with Germany, the Soviet Union stipulated that a "single" German government had to be set up of such a democratic character that it would (1) "be able to extirpate the remnants of fascism in Germany ..."; (2) "at the same time, be able to fulfill Germany's obligations toward the Allies ..."; (3) "and above all ... be bound to carry out reparations deliveries to the Allies." 17/

77. France, having previously opposed the establishment of the central administrative agencies, agreed at Paris to their establishment provided that the Saar area was detached and integrated into the French economy and monetary sphere. But France opposed any increase in German coal consumption that might be deemed necessary as a result of the proposals for unification of the German economy. Further, France demanded assurances that "for a great number of years" it would receive a substantial and fixed amount of German coal.

78. While both Great Britain and the United States agreed to accept the French conditions concerning detachment of the Saar in return for

approval of the establishment of central administrative agencies, the Soviet Union refused to do so without further study. In this new impasse, the United States "as a last resort" announced that it was prepared to administer its zone in conjunction with one or more of the other zones as an economic unit. Of the other three powers, only Great Britain indicated its willingness even to consider the United States proposal, and the Paris discussions of the German problem ended on this rather inconclusive note.

79. A week later, the United States directed its occupation commander in Germany to be prepared to co-operate with any or all three of the occupying powers in setting up central administrative agencies, to be headed by German officials with the title of minister. The detailed plan proposed by the United States envisaged the creation of six central agencies: industry, finance, food and agriculture, foreign trade, communications, and transportation. While these central agencies, to be staffed entirely by Germans, were to be, in the beginning, only advisory to the occupation authorities, their executive functions were to be increased concurrently with a reduction in the close supervision and direction of the Allied occupation control. On July 29, Great Britain agreed to accept the United States proposal in principle, and British military authorities in Germany were authorized to undertake discussions with United States officials, which extended over the next few months.

I. THE STUTTGART STATEMENT OF UNITED STATES POLICY

80. Meanwhile, United States policy toward Germany took another turn. During the Paris Peace Conference that followed the Paris meeting of the Council of Foreign Ministers, Secretary of State Byrnes went to the American zone in Germany and in an important address at Stuttgart on September 6, 1946, restated United States policy for Germany. Although making it clear that Germany should be operated as an economic unit and the zonal barriers obliterated completely, Secretary Byrnes stated that changes in the level of industry would have to be made if economic unification were not achieved. At the same time he was most emphatic in declaring that the United States would not agree to reparation from current production under the level-of-industry plan as previously determined. And looking at the broader picture, he said, "Germany is a part of Europe, and recovery in Europe, and particularly in the states adjoining Germany, will be slow indeed if Germany with her great resources of iron and coal is turned into a poorhouse." 18/

81. On the political side, Secretary Byrnes stated the United States belief that much progress had been made in developing local and state self-government in Germany and that denazification and demilitarization measures had proceeded to the point where the German people, with proper safeguards, could now be given the primary responsibility for running their own affairs. To this end, he proposed that the Allies should decide the terms of the German peace settlement in order that the German people could make the necessary preparations for setting up a democratic Germany that could accept and live up to these terms. As a first step, the United States favored the creation of a provisional German government in the form of a German National Council composed of "democratically responsible" minister-presidents or other responsible officials of the several states or provinces

in each of the four zones. The Council would have two tasks: it would be responsible, subject to the "reserved authority" of the Allied Control Council, for the proper functioning of the central administrative agencies; it would be charged with the task of preparing a federal constitution for Germany that would ensure the democratic character of the new Germany. After approval in principle by the Allied Control Council, the new constitution would be submitted to an elected convention for final drafting and then to the German people for ratification.

82. With regard to German territorial changes, Secretary Byrnes insisted that the Potsdam Agreement did not permanently allocate eastern German territories to the Soviet Union and Poland, but only pending a final determination at the peace settlement. On the other hand, the United States could not deny to France its claim for immediate integration of the Saar into the French economy on the understanding that there would be a subsequent scaling down of French reparation claims. Apart from these changes, he declared, "the United States will not support any encroachment on territory which is indisputably German or any division of Germany which is not genuinely desired by the people concerned," 19/ and specifically would not support the detachment of the Ruhr and Rhineland from the rest of Germany. Furthermore, any control of the Ruhr-Rhineland area was to be only a part of the security controls to be imposed upon Germany as a whole. A special arrangement for this particular area alone was not acceptable.

83. The security control system that the United States favored for Germany as a whole, after the military occupation ended, was that embodied in the draft quadripartite treaty made public earlier in the year, and Secretary Byrnes offered to extend the proposed duration of the treaty from twenty-five to forty years. He noted that with a proper system of inspection, the forces needed for enforcement action under the treaty would be small. Lest United States intentions in the matter be misunderstood, however, he warned that the proposing of the treaty did not presage early withdrawal of United States forces from Germany. "Security forces will probably have to remain in Germany for a long period," Secretary Byrnes declared and then added emphatically: "As long as there is an occupation army in Germany, American armed forces will be part of that occupation army." 20/

84. A month later Secretary Byrnes amplified the political reconstruction policy for Germany that he had expounded at Stuttgart. Speaking in Paris on October 3, he said: "We want to see the federal government of Germany created by the states and not the states created by the federal government. If we so proceed we do not think we will find that the responsible representatives of the states will want to give excessive powers to the federal government." 21/

85. Two months later, a practical illustration of the United States political reconstruction policy was given in the American zone. The people of the three German states in the zone adopted constitutions that popularly elected assemblies had drawn up and the American Military Government had approved. Each state was constituted as a parliamentary republic governed by a legislative assembly (elected by proportional representation), a minister-president (elected by the legislative assembly), and a cabinet (appointed by the minister-president). The minister-presidents of the three

zones constituted a Council of States to serve as a means of co-ordination within the zone pending the establishment of central administrative machinery for all of Germany. Progressively greater powers and responsibilities have been delegated to this Council by the American Military Government authorities.

J. ANGLO-AMERICAN BI-ZONAL AGREEMENT

86. Within a few days after the British announcement of willingness to negotiate with the United States on the American offer for economic unification of the British and American zones, the Soviet Union, through its representative on the Allied Control Council, called the prospective merger "unwise." Furthermore, the Moscow radio and press declared that the proposed merger was additional proof of a secret Anglo-American agreement on the German problem and, as such, would undermine the unity of the four powers on the problem. On August 10 France also formally rejected the United States proposal to merge its zone with any other zone on the grounds that "it is necessary to maintain the coordinating action of the four occupying powers and agreements that leave out one of these powers run counter to this principle." 22/

87. Despite these objections the Anglo-American discussions began. Some uncertainties were introduced by the British announcement of August 20, under which the iron and steel industries in the Ruhr would be nationalized and their ultimate disposition left to joint Allied action. This was quite contrary to the policy being followed in the American zone where decartelization measures were seeking to introduce a more decentralized control of industry and a return to private enterprise. Despite the failure to agree on this subject, by November the exchanges between the British and American military authorities in Germany on the merger of their two zones had progressed to a stage where the final phase of the negotiations could be transferred to Washington. There the agreement was concluded on December 2, 1946, to be effective January 1, 1947. The basis of the agreement was that the two zones would be treated as a single area for "all economic purposes" and that all indigenous resources of the zones and all their imports would be pooled to produce a common standard of living. The agreement contemplated an economic program designed to make the combined area of the two zones self-sustaining by the end of 1949, and the equal sharing by Great Britain and the United States of the combined costs of the imports necessary to bring about this objective. To facilitate exports and imports, barriers to foreign trade with the area were to be relaxed as rapidly as possible. The British and American military occupation authorities were made responsible for establishing under their joint control the German administrative agencies necessary to the unification of the two zones.

88. Great Britain was reluctant during the negotiations to accept the obligation to share equally the costs of imports. During the critical period of recovery, the costs would be largely for food requiring American dollars of which the British were short; while once recovery was well along and the British zone began to produce its normal trade surplus, Great Britain would still be bound to share in the costs of the normal trade

deficit of the American zone. This aspect of the agreement has continued to be an issue between Great Britain and the United States.

89. Soviet reaction to the Anglo-American zonal agreement was rapid. In January 1947 Soviet occupation authorities suddenly announced a plan to increase the level of German industry in their zone by 200 to 300 per cent. This plan, which was not placed before the Allied Control Council prior to its promulgation and which caused some uneasiness for that reason, was declared to be applicable only to peacetime industries. At approximately the same time denazification measures were so intensified in the Soviet zone that there were charges that the measures were being used merely as a cloak for installing Soviet-controlled officials in key political positions.

90. The Anglo-American agreement had another major political effect. It inspired further public discussions of the economic and political advantages inherent in a federation or "bloc" of western European states. Responsible leaders of public opinion, especially in the United States, openly proposed the inclusion of the western zones of Germany in such a grouping so that these German industrial resources could be placed under its control. There were sharp Soviet radio and press attacks on these proposals with broad hints that they were really the beginnings of an alliance in which Germany was to be used against the Soviet Union in some future war.

K. THE CONFERENCE OF FOREIGN MINISTERS' DEPUTIES

91. While negotiations for the Anglo-American zonal agreement were proceeding in November and December 1946, the Council of Foreign Ministers was in session in New York finishing the drafting of the Italian and former Axis satellite peace treaties. Once this task was completed, the Council, at the insistence of the United States, turned its attention to the question of the German peace settlement.

92. The major points of the American proposal to the Council were that special deputies should be appointed to consider and report to the Council prior to its next meeting on some of the problems of the German peace settlement, and that the Allied Control Council should report on the form and scope of a provisional German government, and on the establishment of central agencies and other problems connected with the economic and political future of Germany under the four-power occupation arrangement. Agreement on the American proposal was reached with surprising rapidity in view of the previous wrangles in the Council on this subject. The date of the Council meeting at which the German problem would be considered was set for March 10, 1947 in Moscow, and a six-point agenda for the meeting was adopted.

93. The Special Deputies Meeting of the Council on the German problem was held in London from January 14 to February 26, 1947. This meeting had two principal tasks: to hear the views of other states on the German problem, and to consider the procedural questions in the preparation of a peace treaty for Germany. The views and demands of the smaller states that were heard in London covered a wide range of topics. A majority of them requested both larger amounts and different forms of reparation from Germany than would be afforded under the Potsdam Agreement and the Inter-Allied Reparation Agreement of December 1945. In fact one state, the

Netherlands, described the reparation allotted to it so far as "paltry"; and a great many others, including in addition to the states in the Soviet sphere Belgium, Luxembourg, Norway, and Greece, demanded reparation from current production. At the same time, all of them demanded effective political and economic guarantees against the Germany of the future.

94. In the other task, the development of a procedure for preparing the German peace treaty, the deputies were unable to reach agreement. The Soviet Union proposed that the same procedure should be used for the German treaty that had been used for the Italian and former Axis satellite treaties under which the four powers were initially responsible for drafting the treaty and the smaller powers had what was essentially an advisory role. The United States insisted that the smaller states be given a larger and more important role in the treaty-making process. With both sides standing firm, the deputies were forced to report to the Council that they had "failed to work out a procedure."

L. THE ANGLO-FRENCH ALLIANCE

95. In the two weeks that intervened between the end of the London Deputies Meeting and the opening of the Moscow meeting of the Council, the long-sought Anglo-French Alliance against Germany was signed. Agreement on this undertaking cleared the way for the Moscow meeting in that it really marked a definite change in French policy on the German settlement.

96. As previously noted, one of the bases of French security policy in the postwar period was the separation of the Ruhr-Rhineland area from the rest of Germany in order to divest it of its war-making potential, and the placing of the Ruhr under an international regime. Throughout the early part of 1946 the British government, which objected to the separation on both political and economic grounds, had sought to change French views on this subject by offering France a strong alliance against Germany as a security guarantee to offset the continued inclusion of the Ruhr-Rhineland area within the confines of an integrated German state. The political and economic partition of Germany that would be the consequence of the French proposal had never been an objective of British policy. In the British view, not only would Germany be pauperized as a result of partition, but so would the rest of Europe.

97. By the autumn of 1946 another factor had arisen to complicate the situation. Recovery in the production of Ruhr coal had not been sufficient to continue the coal exports to France that were so essential to its industrial recovery and at the same time to maintain Ruhr industrial production that was necessary for the manufacture of new mining machinery and equipment that was in turn essential to maintain current output. Therefore, in November Great Britain reduced coal exports from its zone to France. Consequently, discussions of the current coal problem also became a part of the general Anglo-French exchanges on the future of the Ruhr and on the projected alliance between the two countries.

98. In January 1947 the Anglo-French conversations on mutual economic problems resulted in an understanding, particularly on the Ruhr

coal question, and a promise to conclude a treaty of alliance at the earliest possible moment. As a part of the treaty negotiations and in preparation for the Moscow meeting of the Council of Foreign Ministers, France restated its German policy in a series of formal notes to the other three powers that were members of the Council. From the standpoint of the Anglo-French discussions, the most important of these related to the Ruhr. The new French plan proposed that, regardless of what controls were placed over the rest of Germany or its economy, a special Allied regime be created for controlling the Ruhr coal mines and steel industries. Steel production would be limited to the figures agreed upon by the Allied powers, but coal production would be developed to the maximum possible. Ownership of these mines and industries would be vested in a special international authority, which would be a "joint possession" of the nations that would sign the peace treaty with Germany. It was noted that their transfer would be comparatively easy in view of the British nationalization program for these industries. A special statute covering the authority would be incorporated in the peace treaty, and the statute itself would be guaranteed by the United Nations Security Council. Most significant of all, political detachment of the Ruhr was not a prerequisite to the establishment of the regime. In fact, under the plan the area could remain a part of greater Germany, and in that event, profits accruing from the operation of the mines and industries would be paid to the political authority with primary jurisdiction in the Ruhr.

99. This new Ruhr plan removed the last major obstacle to the Anglo-French Alliance, which was signed at Dunkirk on March 4, 1947, and by its terms remains in force for fifty years. Similar to the Anglo-Soviet Alliance of 1942 and the Franco-Soviet Alliance of 1944, the Anglo-French Alliance 23/ binds each of the two parties to give "all the military and other support and assistance in its power" if the other becomes involved in hostilities against Germany. In the event of merely a threat of German aggression, France and Great Britain are also bound to consult with one another in order to take such agreed action "as is best calculated to put an end to this threat." Going beyond the other two alliances, however, the Anglo-French Alliance also provides that if Great Britain or France is "prejudiced" by the failure of Germany "to fulfill any obligation of an economic character" imposed on it by the peace settlement, the two countries will consult "with a view to taking agreed action to deal with the situation."

100. The Anglo-French treaty was carefully drawn in order to make clear that action to be taken under its provisions by either Great Britain or France would also be within the framework of both the Anglo-Soviet Alliance and the Franco-Soviet Alliance. In spite of these provisions, there were broad hints from the Moscow press and radio that the treaty was regarded in some quarters as the beginning of a western bloc against the Soviet Union. Prior to the conclusion of the treaty, and while rumors of its negotiation had been widespread, there had been a heated exchange between London and Moscow, arising out of a Pravda article interpreting a statement by British Foreign Minister Bevin to mean that the Anglo-Soviet Alliance was no longer in effect. At that time Great Britain urged, as it had done before, an extension of the Anglo-Soviet Alliance from twenty-five to fifty years. The offer was again renewed following the conclusion of the Anglo-French Alliance, and negotiations for a revision of the Alliance began

in Moscow late in March during the meetings of the Council of Foreign Ministers. However, these negotiations soon bogged down. The issue that has caused the difficulties appears to arise from British desires that the revised pact should be very similar to the Anglo-French Alliance, which runs counter to the Soviet view that the proposed pact should preclude either of the parties to it from entering into an alliance with a third country against the other party to the pact.

M. THE MOSCOW MEETING OF THE COUNCIL OF FOREIGN MINISTERS

101. The Moscow Meeting of the Council of Foreign Ministers lasted almost seven weeks, from March 10 to April 24, 1947. While the session dealt with several matters other than the German problem, the major issues of the meeting on the question of Germany were: (1) reparation, (2) a provisional and permanent German government, (3) the American proposal for a quadripartite disarmament treaty in connection with the problem of long-run control, (4) territorial changes, and (5) coal. Broad areas of disagreement were strikingly revealed on every one of these major issues, with the United States and Great Britain generally on one side, the Soviet Union on the other, and France vacillating between the two. In fact, Secretary of State Marshall epitomized the results of the conference when he reported that: "The critical differences were for the first time brought into light and now stand clearly defined so that further negotiations can start with a knowledge of exactly what the issues are that must be settled." 24/

102. The most controversial and, at the same time, the most far-reaching of the German problems considered at Moscow was that of reparation, which, in turn, involved the questions of economic unification of Germany and the level of German industry. Basing its stand on the Yalta Agreement, the Soviet Union again asserted a claim for reparation from current production and reiterated the Soviet figure of 10 billion dollars as the total of its reparation claims. To meet these claims, the Soviet Union suggested a 45 per cent increase in the agreed level of industry, accompanied by an increase in German exports, and some kind of four-power control of the Ruhr to achieve an annual steel output of 10 million tons.

103. No meeting of minds took place among the four powers at Moscow on the reparation issue. The United States, joined by Great Britain, still refused, in accordance with the Potsdam Agreement, to resume reparation deliveries unless Germany were treated as an economic unit, which would require the establishment of certain German administrative services under some form of provisional central German government.

104. On the question of the form of the future German government, the United States proposals at Moscow for both the provisional and the permanent central government were essentially the same as those advocated by Secretary of State Byrnes in his Stuttgart and Paris statements of September 6 and October 3, 1946, respectively. In these proposals the central government would be one of limited delegated authority, and all the powers not specifically delegated to it would reside in the states. Responsibility for police and internal security was not to be given to the central

government. The British position was similar to the American. The Soviet Union proposed a stronger central German regime including central responsibility for "state security," although executive authority over the police was to rest with the Laender (that is, the states). The French were in favor of a decentralized, loosely federated German state. No substantial agreement between these views was achieved.

105. The United States offer of a quadripartite treaty to guarantee the long-term disarmament and demilitarization of Germany was renewed at Moscow. This proposal for future control over Germany, which was closely linked with the discussion of the form of the future German government, continued to receive the greatest support from Great Britain. France had been only lukewarm, but at Moscow it offered its full support. The attitude of the Soviet Union was, however, another matter, and while, as previously, the Soviet Union did not reject the proposed treaty outright, it offered such a long list of amendments that Secretary of State Marshall said the Soviet attitude "in effect is virtual rejection." 25/

106. Territorial questions at Moscow concerned the Rhineland (and more especially the Ruhr), the Saar, and the Polish-German boundary. The United States and Great Britain opposed both a French proposal for separate treatment of the Ruhr (which was the same as they had put forward in February 1947) and a Soviet proposal for a special four-power regime. France received American and British approval of its plan to detach the Saar, but the Soviet Union refused to approve unless agreement was concurrently reached on the Ruhr.

107. On the question of the Polish-German boundary, the United States, with British support, proposed to establish a special boundary commission to define the boundary, which it insisted had been fixed only provisionally at Potsdam. The United States also suggested that certain economic resources of Upper Silesia might be administered for the benefit of Europe as a whole, even though the territory was awarded to Poland. To both of these proposals, the Soviet Union objected strongly, and no decisions on territorial questions could be taken at Moscow.

108. The level of coal production was central to the Ruhr question from the standpoint of other immediate European problems, and on this point all four powers at the Moscow meeting were unanimous—coal output had to be increased. Despite persistent efforts by the British, the production of Ruhr coal in the spring of 1947 was still not recovering as rapidly as it should. Soviet proposals for a special four-power coal committee to control production in the Ruhr in order to increase output were rejected at Moscow by the United States and Great Britain on the grounds that coal was only part of the general problem of economic unity for Germany, and that food and other resources would have to come under the plan to make it workable. By this time, the Moscow meeting had swung full circle. Having started with the question of reparation in which the point at issue had been the question of economic unity, they had now arrived at the coal problem, in which the same point was at issue. To end this stalemate, France, Great Britain, and the United States, on April 21, made a special coal agreement at Moscow outside the Council sessions. Under this agreement, France was to receive a larger amount of the coal from the British, American, and French

zones as total German coal production increased. Despite French denials, this tripartite agreement was generally viewed as a first step toward merging the economies of three zones.

109. In addition to the foregoing five major issues, several minor problems of the German peace settlement were dealt with at Moscow. For example, it was agreed that land reforms in Germany were to be completed by the end of 1947; that free exchange of information should prevail throughout Germany; that further destruction of war plants manufacturing essential war materials should be undertaken; that voluntary repatriation of displaced persons in Germany should be speeded; that about 2 million German prisoners-of-war should be repatriated before the end of 1948; and that the number of occupation troops in Germany should be reduced. On the crucial question of the procedure to be followed in drafting the German peace settlement, however, no substantial progress was made. Efforts by the United States to increase the participation in the treaty-making process of all states at war with Germany again met with Soviet opposition.

110. Despite the disagreements at the Moscow meeting, when it adjourned the Foreign Ministers agreed that they would again meet to discuss the German peace settlement in London during November 1947. Secretary Marshall reported that Premier Stalin felt that the Moscow sessions were "only the first skirmishes and brushes of reconnaissance forces" on the German question, and that "compromises were possible on all the main questions." 26/

N. DEVELOPMENTS SINCE THE MOSCOW MEETING

111. The Moscow meeting served to focus both American public and governmental attention on the German peace settlement within the framework of the larger problem of economic recovery for Europe as a whole. Only six weeks after the close of the Moscow session, Secretary of State Marshall made his now famous proposal relating to European recovery. The events that followed Secretary Marshall's proposal are dealt with in the problem paper on American Assistance to Europe. But it should be noted here that the Soviet Union's refusal to join Great Britain and France in drawing up a European program has considerably increased the difficulties of obtaining four-power agreement on the German problem. While the Paris Conference specified that the Committee of European Economic Co-operation that it set up was to request information concerning the assets and requirements of Germany from the Allied military commanders who are members of the Control Council, it also stated in the Committee's instructions that indications regarding the development of German production should conform to the decisions of the Council of Foreign Ministers and the control authorities. Since the March 1946 level-of-industry agreement, no major decisions on this point have been made by either the Council of Foreign Ministers or the Allied Control Council.

112. The Moscow Conference also served to spur American public opinion in the direction of accepting the inevitability of a split with the Soviet Union in all major international problems of common concern. This widespread feeling gave rise to the belief, openly sponsored by former President Hoover, in the necessity of a separate peace with Germany, even

with the western German zones alone, and of immediate measures--including abandonment of the principle of reparation through capital plant removals--to increase German economic activity in these zones.

113. In these circumstances, the new and comprehensive United States Directive of July 11, 1947 to General Clay on occupation policy was not wholly unexpected. The directive replaced the one of April 1945 (JCS 1067), and the United States set forth as its basic objective the "creation of those political, economic and moral conditions in Germany which will contribute most effectively to a stable and prosperous Europe" on the assumption that international peace can be achieved "only if conditions of public order and prosperity are created in Europe as a whole" and that an orderly and prosperous Europe, in turn, "requires the economic contributions of a stable and productive Germany as well as the necessary restraints to insure that Germany is not allowed to revive its destructive militarism." 27/ This declaration in effect marked the final demise of the basic objectives of the Morgenthau plan for Germany in so far as United States policy was concerned.

114. The directive covered demilitarization, German political organization and related matters, economic organization and the closely connected questions of economic disarmament and reparation, and cultural and educational activities. It grouped together for the first time all relevant United States policies for Germany that had been adopted since the spring of 1946, especially those proclaimed by Secretary Byrnes in his Stuttgart speech of September 1946 and by Secretary Marshall in the Moscow meeting of the Council of Foreign Ministers in 1947.

115. In matters of disarmament and demilitarization, the directive was explicit that there should be "no relaxation of effort to complete and effectively to maintain the disarmament and the demilitarization of Germany" and note was made of the United States proposal for a quadripartite treaty to maintain these conditions permanently.

116. On the political side, the directive sought the development of a political structure along the lines previously indicated by Secretaries Byrnes and Marshall. Federalization was still regarded as more desirable than "excessively centralized government" to which the United States is opposed. While noting that the United States does not wish to impose its own forms of democracy and social organization on Germany, the directive also stated that the United States "believes equally firmly that no other external forms should be imposed," a warning that was widely interpreted as referring to the Soviet Union. 28/

117. The departure of the directive from the Morgenthau plan was most apparent in the economic sphere. The level of German industry to be eventually agreed upon as a basis for reparation removals, while eliminating the "excess" industrial capacity used for war purposes, should not permanently limit Germany's industrial capacity. The directive declared that "the German people after the period of reparation removals should not be denied the right, consistent with continued disarmament, to develop their resources for the purpose of achieving higher standards of living." 29/ But reparation greater than the amounts provided for in the Potsdam Agreement

would not be agreed to nor would the United States agree to finance the payment of reparation by Germany to other claimant nations "by increasing its financial outlay in Germany or by postponing the achievement of a self-sustaining German economy." And furthermore, the principle that proceeds of exports should be used in the first place for payment of imports was reaffirmed.

118. According to the directive, the treatment of Germany as an economic unit was still an objective of United States policy, including the adoption of a program of production and foreign trade for Germany as a whole. Highest priority was to be given to increased production of coal, food, and export goods. European countries and international organizations representing them were to be consulted in these matters to ensure that emphasis was given, in the items selected for export from Germany, to goods needed by European countries for their economic recovery and rehabilitation.

119. United States representatives were to advocate the adoption of uniform monetary and financial policies throughout Germany. But the reestablishment of a centralized German banking system was to be avoided, although the establishment of a "central authority" for the issuance and control of currency and for technical banking supervision was to be encouraged. Furthermore, to avoid excessive concentration of economic power, cartels and cartel-like organizations were to be prohibited, but public ownership of enterprises was not to be interfered with, provided that it was the result of free choice by the German people.

120. Concurrently with the preparation of the new United States directive on Germany, discussions took place between the British and American occupation authorities looking toward an increase, under the Anglo-American Bi-zonal Economic Agreement, in the agreed level of German steel production. France immediately protested officially to both countries and was especially disturbed by the official American view that the United States had neither the industrial capacity nor the raw materials to meet all of Europe's requirements and that, therefore, an increase in German production was essential to European recovery. It appeared to the French that the United States intended to begin by putting Germany on its feet in order that Germany might then serve as an instrument for restoring Europe. The French believed that the increase in Germany's war potential that they foresaw as a consequence of this policy was too great a price to pay for more rapid European recovery.

121. The French were therefore invited in mid-August to discussions in London on the level of industry in the British and American zones. As a result, France reluctantly acquiesced, with reservations, in a higher level of industry, approximating the 1936 German level, by comparison with 70-75 per cent of that level implied in the March 1946 Allied Control Council plan. French reservations concerned the priority to be given German rehabilitation, security guarantees, and French claims on increased German coal and coke production. Negotiations on German coal production to consider the French claim for more coal have been completed but the results have not been announced as of October 1947.

122. The new level of industry plan for the British and American zones, which is now being put into effect, was signed on August 29, 1947. The Soviet Union and Poland each sent formal notes of protest stating that the revision of the 1946 plan was a violation of the Potsdam Agreement. The Polish note further protested that it would involve the danger of a resurgent Germany, indicating that the main opposition may have been based on a fear of future German aggression. The United States reply emphasized previous failures to carry out the Potsdam stipulation that Germany should be treated as an economic unit.

123. Concurrent with the London conversations, British and American technical experts were meeting in Washington to discuss ways of raising Ruhr coal production. On September 10 the results of their recommendations to the respective governments were released to the press. The draft plan details many methods of increasing coal production in the Ruhr and points to the importance of raising food supply for the miners. The recommendations include a proposal for German management of the mines under Anglo-American supervision and control. Protests from the Belgian and Netherlands governments have stressed the dangers of permitting German management in expanding Ruhr production. The full implementation of the new plan for the Ruhr awaits negotiations with the Low Countries and France. Until the coal management agreement comes into effect, it was suggested that the United States military authorities appoint representatives to the present North German Coal Control, thus in effect making management of the Ruhr a joint American and British responsibility.

124. The Report of the Committee of European Economic Co-operation that was adopted by sixteen nations in September 1947, in response to Secretary Marshall's statement at Harvard in June, makes the urgency of agreement on the treatment of Germany apparent to the world at large. Greater importance than ever attaches to the next meeting of the Council of Foreign Ministers that has been proposed for November in London, the agenda for which will be the unresolved issues of the last meeting in Moscow. The following memorandum discusses these issues in detail.

Footnotes

1/ New York Times, Dec. 29, 1941.

2/ The Department of State Bulletin, Vol. VI, No. 133 (Jan. 10, 1942), pp. 39-43.

3/ The official communiqué of the Casablanca Conference [The Department of State Bulletin, Vol. VIII, No. 188 (Jan. 30, 1943), pp. 93-94] does not contain these declarations. For a generally accepted version of these given out at a joint press conference at Casablanca see The Christian Science Monitor, Jan. 27, 1943.

4/ The Department of State Bulletin, Vol. IX, No. 228 (Nov. 6, 1943), p. 309.

5/ The Department of State Bulletin, Vol. X, No. 251 (April 15, 1944), p. 336.

6/ See Brown, Lewis H., A Report on Germany, New York, July 19, 1947, pp. 9-11.

7/ Morgenthau, Henry, Jr., Germany is Our Problem, New York, 1945, p. 3.

8/ See Smith, Fred, "The Rise and Fall of the Morgenthau Plan," The United Nations World, Vol. I, No. 2 (March 1947), pp. 32-37.

9/ Information Bulletin of the Embassy of the Union of Soviet Socialist Republics, Vol. IV, No. 134 (Dec. 28, 1944), p. 1.

10/ The Department of State Bulletin, Vol. XIII, No. 330 (Oct. 21, 1945), p. 598.

11/ The Department of State Bulletin, Vol. XII, No. 311 (June 10, 1945), p. 1051.

12/ The same, p. 1055.

13/ New York Times, March 25, 1947.

14/ The Department of State Bulletin, Vol. XIII, No. 320 (Aug. 12, 1945), p. 210.

15/ The Department of State Bulletin, Vol. XIV, No. 358 (May 12, 1946), p. 816.

16/ New York Times, July 10, 1946.

17/ New York Times, July 11, 1946.

18/ The Department of State Bulletin, Vol. XV, No. 476 (Sept. 15, 1946), p. 498.

19/ The same, p. 500.

20/ The same, p. 499.

21/ The Department of State Bulletin, Vol. XV, No. 380 (Oct. 13, 1946), p. 668.

22/ New York Times, Aug. 11, 1946.

23/ Cmd. 705, France (1947), pp. 2-3.

24/ The Department of State Bulletin, Vol. XVI, No. 410 (May 11, 1947), p. 924.

25/ The same, p. 924.

26/ The same, p. 924.

27/ The Department of State Bulletin, Vol. XVII, No. 421 (July 27, 1947), pp. 186-187.

28/ The same, p. 187.

29/ The same, p. 189.

PROBLEM PAPER "A"

THE GERMAN PEACE SETTLEMENT

MEMORANDUM ON THE ISSUES AND ALTERNATIVES

1. The unresolved questions from the Moscow meeting in the spring of 1947, which will be the agenda of the Council of Foreign Ministers when they meet in London, indicate that the German peace settlement confronts the victors today in substantially the same form as prior to the Potsdam Conference. The exchanges of views that occurred and the agreements that were concluded on Germany among the United States, Great Britain, the Soviet Union and France from 1941 until the early spring of 1946 resolved some minor issues and touched upon most of the leading issues in the settlement. Since then, the unresolved major issues have gone through a process of crystallization, beginning with the meetings of the Council of Foreign Ministers in the spring of 1946 and ending in the Moscow meeting of 1947. The eight issues discussed below are concerned with future political organization, economic institutions, level of industry, reparation, frontiers, disposition of the Ruhr, control and occupation, and procedure in peacemaking.

2. On the outstanding issues there is hardly the semblance of agreement among the major powers. Their differences on the principal aspects of the German problem are reflections of, and may also be reflected in, the differences among them on questions affecting Poland, Greece, Iran, China, Korea, and Japan, or the differences that appeared in connection with the first peace settlements made with Italy and the former Axis satellites, or those now present in the United Nations on the question of regulation of armaments and the control of atomic energy. In short, the search for basic unity among the major powers on the German peace settlement is only one of the many important tasks that confront them in achieving enduring peace.

3. The central problem is still how to reorganize Germany politically, economically, territorially and administratively in the attainment of the twin objectives of safeguarding the world against German aggression and at the same time of fitting Germany into the political, security, and economic pattern of Europe and the world as a whole. Four-power unity is as necessary now to the attainment of these objectives as it was two years ago. Unfortunately the unity that was achieved after the German attack on the Soviet Union and the Japanese attack on the United States under the single-purpose incentive of winning the war appears to be more difficult to achieve in the complexities of peacemaking.

4. The leading issues among the major powers on the treatment of Germany arise from two sources: (1) the immediate necessity of taking decisions required in the administration of Germany by the occupying authorities, including decisions relevant to current disarmament and demilitarization; and (2) the less immediate necessity of reaching agreements that are basic to the long-term settlement for Germany. The period of occupation is itself dependent on important issues that arise from this second source,

especially the requirements that are held to be essential in ensuring against German aggression in the more distant future. Failure to distinguish the two sets of considerations and to recognize the overriding importance of the second would lead to confusion in policy-making and possibly to the triumph of expediency over deliberate policy. It is apparent that decisions made during the occupation period may prejudice the final form of German political, territorial and economic administration. Under almost every issue consideration must be given to the effect that a given occupation policy will have on the final peace settlement. In order to focus attention on the longer-run issues of the peace settlement, the shorter-run occupation policies, however important they may be, have not been considered in detail in the discussion of these issues. The issue of the basis of control and the nature and length of the occupation period has been placed late in the discussion because the consideration of it hinges so much on the discussion of these longer-run issues. Similarly the future political organization of Germany has been given first place because it is relevant to most of the succeeding longer-run issues.

A. FUTURE POLITICAL ORGANIZATION

5. The first issue is:

> What should be United States policy on the form of the future political organization of Germany and the means for obtaining it?

Following the unconditional surrender of Germany and the destruction of the Nazi state, supreme authority over German territory and its population was assumed by the major Allied nations pending the construction of a new German state.

6. The main decisions to be taken in determining the character of the future political organization of Germany relate to the degree of centralization and to the method of dividing the powers between the central and local governments. It seems to be generally agreed that some form of unified nation is to be reconstituted and that partition or disintegration into separate states is not to be a deliberately chosen policy. The United States has proposed a federal structure, to which Great Britain and probably France will agree, although the latter would like the federation to be as loose as possible.

7. The degree of centralization that is desirable and necessary must be considered in the light of the requirements of a workable political and economic system, with due regard to the danger that a highly centralized state might facilitate the formation of a dictatorship or be used as the instrument of external aggression. Agreement has already been reached between the major nations that Prussia is to be liquidated because it had imposed too high a degree of centralization on Germany. But this is not a great innovation, for the proposal was made by the pre-Hitler Reform Committee of 1928-30; and it is merely a decision to clear the decks preparatory to more positive action. To achieve the political and legal unity of the German state, the central government would have to be given legislative

and executive powers in matters affecting external relations, such as international treaties, citizenship, emigration and immigration, and in matters affecting over-all law and order, such as the determination of the codes of criminal, civil and commercial law. It should not be difficult to reach agreement on the definition of these powers. But when it comes to police power, difficulties are likely to arise. Great Britain has been insistent that the central government should not exercise strong and broad powers in the field of internal security, while the Soviet Union has insisted that the central government must have the responsibility of guaranteeing the internal security of the state, even though executive control of the police should rest with the Laender (that is, the separate states). The question at issue is important, for the British and American aim is to prevent the rise of another "police state" in Germany whether of the fascist or communist brand, as a result of purely domestic developments or under pressure from abroad.

8. Extensive control powers are also essential to ensure economic unity. Control of the customs, foreign trade and exchange, of nation-wide networks of communications, of currency and banking, and to some extent of taxation and the public debt, are probably the minimum necessary to avoid the economic fragmentation of Germany. The inclusion of other powers, such as central control of labor and of social security arrangements, the planning of industry, the prices and distribution of commodities, is more debatable, and the desirability of inclusion depends on the kind of future state envisaged. The Soviet Union, being itself a totalitarian state, is likely to press for including them, while the United States is equally likely to be the chief opponent.

9. On the question of the division of powers between the central government and the Laender, the American position, supported by the British and French, is that all powers not specifically delegated to the central government should be vested in the Laender. This approach focuses attention on delimiting power at the center. The alternative would be to enumerate the powers expressly vested in the Laender as well as those delegated to the central government. The two approaches are not necessarily very different, but the former alternative would be more likely than the latter to permit flexibility in future development, although that would depend on the constitution as a whole. It was reported that at the last Moscow meeting of Foreign Ministers the Soviet Union supported a strong central regime modeled on the Weimar Constitution, and it also appears that the Soviet Union is in favor of enumerating the powers of the Laender. The Weimar Constitution, however, strikes an ominous note because of Article 48 that gave great powers to the central government in an emergency and, as was shown by von Papen in 1932, could be abused to attack state rights. This same article was used by Hitler to dismiss the Prussian Ministers who stood in his way, although it should be remembered that it was the Act of January 1934, Concerning the Reconstruction of the Reich, that abolished state rights. No constitutional provisions are adequate protection once a dictator has de facto power. Nevertheless, the United States and other western powers are chary of modeling the future German government on a constitution that lent itself to the establishment of a dictatorship.

10. If agreement can be reached on the form of the future political organization of Germany, there is still the question of the means for

obtaining it. It has been agreed that some kind of provisional government is to be set up, but since this is one stage on the route to the establishment of a permanent government, agreement on the main features of the latter must precede agreement on the precise nature of the former. Furthermore, the route to be taken depends on the part that the major powers will allow the German people to play. At Potsdam it was decided not to set up a central government "for the time being", but to establish "certain essential central German administrative departments, headed by state secretaries," in the economic field. These would have begun to bring in German administrative skill at the national level and might have paved the way for setting up consultative bodies of Germans in shaping the future government. Unfortunately, it has not yet been possible to reach agreement on setting up these central administrative agencies. Yet they were intended to create the economic unity that it is assumed should precede the establishment of even a provisional central government.

11. The United States and Great Britain have been staunch advocates of central administrative agencies, not only because of their will to implement the Potsdam agreement, but because of their views on the longer-run future of Germany and of their immediate interest in stopping the financial drain upon them in administering their zones without economic unification. France, on the other hand, has resisted the proposals on the ground that favorable consideration should first be given to its proposals for the special treatment of the Saar, the Ruhr and the Rhineland. The French position is based on the fear that central economic administration would necessitate a strong central German political authority with all the security hazards of the future that in their view it implies. The Soviet Union also objected to central administrative agencies if the occupying authorities were not free, each in its own zone, to continue determining the types and levels of economic activity. The Soviet position may have been determined to some extent by the fact that in its zone looting and the taking of reparation out of current production still prevailed.

12. Apart from the failure of the major powers to agree on the central administrative agencies, it is questionable whether economic unity can precede political unity. Many of the thorniest problems in the economic and social field, among which currency reform is outstanding, may be soluble only if there is a central government that commands the respect and obedience of the German people. The problems of economic and political unity are inter-related and it may be illusory to regard the achievement of economic unity as merely one stage on the route to the establishment of a permanent government.

13. With the failure to establish a German central administration, the revival of German administration has proceeded in the Laender and in the localities within the Laender. In the American zone, the process has been carried so far that the Ministries-President of the three Laender now constitute a Council (Laenderrat) with executive functions throughout the zone. The bi-zonal plan for the American and British zones is the only action for inter-zonal co-ordination that has occurred. It is said to be "necessarily a move toward ultimate political union." 1/ The United States government looks forward to the formation of a German National Council, composed of chief officials of the Laender, that would prepare a provisional

German constitution "to be submitted to an elected convention for final drafting and to the German people for ratification." 2/ This sets the pattern of the United States view on participation by the German people in constructing their new political organization. With the proviso that the new German government "will be required to adhere, as a condition of its recognition, to whatever conditions the Allied powers agree to attach to German sovereignty for a specified or indeterminate period," the United States does not propose "to dictate the forms of German constitutional life." 3/

14. The first alternative in setting up the new political organization of Germany is therefore:

> Action by the occupying powers to establish a unified Germany with a federal structure and a national government of limited powers.

The chief advantage of this alternative is that it might make possible the earlier establishment of a German government. It is possible that it would also offer better prospects of a government designed to meet the requirements of the occupying powers if they could agree on them. The obvious disadvantage of this alternative is that the procedure is less democratic and that without the participation of the German people in setting up the government, the positive values resulting from their participation would be lost.

15. The second alternative is:

> Action that includes the participation of the German people to establish a unified Germany with a federal structure and a national government of limited powers.

The only difference between this and the first alternative lies in the participation to be allowed the German people, but that is a most important factor. This alternative represents the American policy on German participation with which Great Britain is in general agreement. There will be difficulties, however, in reaching agreement between the four major powers on the details of procedure in consulting the Germans. The British, for example, while agreeing in general with the American view, are in favor of holding elections in setting up the provisional government, which the United States does not regard as necessary. And there is almost sure to be opposition at more vital points, of the kind exemplified in the proposal by the Soviet Union to hold a plebiscite to determine the kind of government the Germans want. Yet the wisdom of some method of consulting the wishes of the German people can hardly be doubted, not only to conform with the principles of a just peace, but to engage the knowledge of the Germans in the complexities of constitution-making and their support for the final product. A perfect constitution is highly improbable in any event; and if it has German support, the German problem of the future will be so much the simpler because resentment against the peace settlement may then be centered on the conditions attached to German sovereignty rather than diffused in criticizing the imperfections of a foreign-made constitution.

16. The American position is based on the assumption "that in spite of long suppression there exists the potentiality of a democratic life in Germany." 4/ At Potsdam it was agreed that local, state and regional self-government on elective principles should be encouraged and that religious, cultural, and economic freedom was to be accorded. Political party organizations and free trade unions based on democratic principles have been encouraged progressively in the western zones, although there are differences between the degree of centralization encouraged in the different zones. If the liberal view is accepted, the conclusion is inevitable that somewhere along the route, however long the period of control and tutelage, the Germans must help to reconstruct their own political organization. Those who reject this view and refuse to admit the arguments for participation by the Germans must be driven to the conclusion that democratic government in Germany is a forlorn hope. Conceivable disadvantages of the second alternative are that it might be difficult to set limits to German participation and that the procedure might be more time-consuming than the imposition of a German government by action of the occupying powers.

17. The third alternative is:

No central government for the time being.

Diplomatic stalemate might push the occupying powers into acceptance of this alternative. The postponement of the decision could be regarded as an advantage only as long as hope of an over-all peace settlement for Germany still prevailed. Deterioration of the situation would inevitably compel the occupying powers to consider a government with control over one or more parts of a divided Germany.

18. The fourth alternative is:

Partition of Germany into two or more separate states.

Partition would of itself create a new set of problems in which the advantages and disadvantages of the different forms of political organization and the methods of achieving them would be but a part. A whole range of problems would arise concerning the viability of the separate states. If the separate zones were continued in their present geographical division, it is probable that the governments within them would follow the patterns already set up by the occupying powers. In the case of the western zones, however, partition might have the economic advantage of fitting them more readily into the Marshall plan, provided that they were combined into a single unit.

B. NATURE OF FUTURE GERMAN ECONOMIC INSTITUTIONS

19. The second issue is:

What should be the United States policy on the nature of the German economic institutions to be established by the peace settlement?

No sharp distinction between political and economic institutions is valid, but they lend themselves to separate treatment provided that their interdependence is not forgotten.

20. The issue arises largely in connection with the major German industries, and especially the heavy industries, in which the cartel and combine forms of organization were prominent. The roots of this type of organization reach far back in German law. Far from enacting statutes to prohibit monopolies on the model of the Sherman Act in the United States, Germany gave the cartels and other monopolistic business forms a legal status. There was regulation in the "public interest," but not proscription. A complex structure of closely integrated businesses, some of them with world-wide interests, was built up. It was inevitable that this organization would play an important part in totalitarian Germany, but the men who supported Hitler would probably have done so whatever the form of business organization they were administering.

21. The British have a predilection of their own for nationalization of the heavy German industries, to which the United States is opposed, preferring to leave this question to the free choice of the German people. The Soviet Union, not being impressed with the virtues of private enterprise, and its own industrial organization having been modelled in the 1920's on the German "trusts," cannot be expected to be very much concerned about the cartels provided that they are state-owned. In considering the question of the nature of German economic institutions, it must be kept in mind that whatever decisions are taken will probably have both domestic and international effects.

22. The first alternative is:

Enforced decartelization of the major industries.

This alternative strikes at the monopolistic form, on the assumption that the effect of cartels is inevitably to restrict trade. It is in line with the traditional American attitude that the evil practices involvedcan only be eradicated by breaking up trusts or cartels. The second advantage envisaged in this alternative is that of economic disarmament. Since many of the German cartels possessed large military potential, it has been argued that decartelization would complement an Allied disarmament program for Germany. Great Britain has traditionally taken a different attitude from the United States to domestic cartels and other monopolistic business forms, and British policy has not followed that of the United States in the treatment of German cartels. The British have opposed a policy of decartelization primarily because of the administrative and managerial confusion that it would create. Germany's western European neighbors also do not hold cartels in as great disfavor as the United States, and they have looked askance at the destruction of them in Germany.

23. The second alternative is:

Enforced nationalization.

This alternative, supported by the British, in line with their own recent national experience, would lessen the chances of administrative confusion in German industry and it might on this ground be considered to be in the nature of a compromise solution. The arguments for nationalizing German industry are the same as for the socialization of any industry, and might be expected to be supported by the Soviet Union. The acceptance of this alternative on a widespread scale, however, would bring with it the same difficulties that are encountered in international negotiation to regulate state-trading activities. Nationalization of the Ruhr industries would facilitate acceptance of the French plan for internationalization and detachment and thus might be expected to gain French support. It would be unpopular in the United States because of the dislike of socialization and the desire to see the extension of private enterprise.

24. The third alternative is:

> Free choice of the German people on the understanding that the ITO rules are to govern any remaining cartels.

This alternative differs from the decartelization envisaged in the first alternative because cartels are not expressly forbidden under the proposed ITO Charter. Chapter V of the Charter merely obligates the members of the ITO to take appropriate measures to prevent restrictive business practices whenever they have harmful effects on production and trade, and makes the characteristic practices of cartels subject to a procedure of complaint and investigation. This alternative offers the possibility of a real compromise between American and British views, and it would be more in keeping with United States policy of consulting the German people on the future political organization. Action on this alternative, however, has the disadvantage of having to await the establishment of a German government.

C. LEVEL OF GERMAN INDUSTRY

25. Ideas on the level of industry to be permitted Germany changed radically after the Potsdam meeting under the influence of problems arising from reparation payments, occupation costs, and the failure to unify Germany economically. When the problem of European reconstruction came to the fore, the importance of the German level of industry in general European reconstruction took precedence over all other aspects of the problem. The United States Directive of July 15, 1947 was in recognition of this. A more important influence on the development of ideas than any of these, however, has been exerted by the general change in attitude on the political and moral problems involved in the future of Germany. Changes in attitude of this kind conflict with the preconceptions of some countries and with the preoccupations of others with their own narrower interests; and the result is considerable disagreement among the major nations on the level of German industry that is to be allowed.

26. The third issue is:

> What stand should the United States take on the level of industry that should be permitted to Germany?

27. The first alternative is:

> An unrestricted level geared to multilateral world trading, but with the prohibition of direct armament production.

The advantage of this alternative is that it would give the signal to the Germans to go ahead with plans for the reconstruction of German industry free from the uncertainty that accompanies far-reaching restrictions on production. This alternative implies that the German standard of living would be allowed to rise unrestrictedly. The acceptance of this view will depend on general attitudes regarding the future of the German state and on the extent to which it is believed that a German economy in full swing is essential to European recovery. It might be objected that this alternative virtually discards the aim of economic disarmament as laid down in the Potsdam agreement, and that the consequent inadequate control of the economic system would entail the danger of a resurgent Germany, an eventuality greatly feared by France and many of the smaller European countries.

28. The second alternative is:

A level geared to the permanent elimination of economic war potential.

This alternative is in the direction of the Morgenthau plan for pastoralizing Germany. Although certain of the economic sections of the Potsdam program were reflections of the Morgenthau philosophy, wholehearted support of economic disarmament has been largely dropped by the four major powers, all of which at Moscow were in favor of raising the level of industry. It may be added, however, that their support for an increased level of industry varied widely in degree. This alternative has almost ceased to be practicable, since economic war potential covers most of modern industrial production, and a Germany at that level of industrial production would frustrate European recovery.

29. The third alternative is:

A compromise on a level geared to the completion of European reconstruction, with an undertaking to review the level later on.

An attempt at compromise on the lines of this alternative would have the disadvantage of introducing uncertainty into economic development in Germany and would be an additional excuse for prolonging negotiations on the final settlement. The chief advantage of this alternative would be that of expediency, the adoption of a *modus operandi* with the hope of a better over-all settlement at a later date. The inherent difficulties of reaching agreement increase the temptation to accept a temporizing compromise of this kind.

D. REPARATION

30. The fourth issue is:

What should be the United States position on reparation?

Reparation by Germany has proved to be a troublesome question. As a result of the experience following World War I, it was decided that reparation should be in kind rather than in money. It was believed that the problem of transferring across the foreign exchanges the reparation payments that were collectable in German money involved such difficulties that reparation in kind would be simpler. It may be doubted whether this has turned out to be the case. The period of reparation payments was to be short (2-1/2 years after the Potsdam Conference) and this was one reason why reparation was to be in the form of capital equipment and German foreign assets; it was the only way to get a lot in a short time. Another reason for capital removals was the decision to reduce the level of German industrial production. The two reasons have not always been kept distinct and the temptation has always been present to justify capital removals on security grounds when the real intention is to maximize reparation. In any case, payment of reparation in kind, far from keeping the problem simple, has involved it inextricably with other important issues--the level of industry, the export-import balance in the western zones, and the economic unity of Germany.

31. Disappointment with the results of capital removals led the Soviet Union, basing its stand on the Yalta Agreement, to press at the Moscow conference in 1947 for reparation out of current German output. On the ground that the Yalta Agreement had been superseded by the Potsdam Agreement, the United States has refused to admit the validity of the Soviet reparation claim of 10 billion dollars including deliveries from current output. It was, however, willing to study the possibility of compensating the Soviet Union from current production for such withdrawal of German plants from reparation removals as might result from decision to increase the level of German industry, provided that the principle of making payment for imports the first charge against German exports was retained. The United States can rely on Great Britain to back its views; but the French position is less certain, partly because France has a great fear of a strong Germany and partly because it has been disposed to insist on a prior claim to a certain proportion of German coal as a condition of agreement on all other German economic problems.

32. The first alternative is:

> Provided that United States occupation costs are met and German imports are paid for by exports, to modify the terms of the Potsdam Agreement by permitting deliveries in kind from current production in lieu of, and to the value of, scheduled removals of plant and equipment not yet carried out.

This alternative is closely tied to the level-of-industry question for the western zones, since the number of plants earmarked for reparation removal will be directly affected by the over-all level-of-industry plan. This plan, tentatively proposed by Secretary Marshall at the Moscow session of the Council of Foreign Ministers, is an attempt at compromise with the Soviet Union without departing very far from the stated position of the United States. It presupposes that these deliveries from current production could be made in a relatively short period of time. Since such a program would not violate the United States prerequisite that imports are to be paid for by exports and since it envisages only limited reparation from current output, the alternative would not have serious disadvantages for United States economic policy in Germany. It would in essence be a price to be paid for raising the level of industry from the March 1946 figure in accordance with new United States objectives for Germany.

33. The second alternative is:

> To permit reparation from current production in larger amounts and for a longer period by raising the permissible level of industry in order to meet the further claims of the Soviet Union, France, and the smaller European countries.

The chief advantage of this alternative is that by meeting the claims of the Soviet Union on reparation the way might be cleared for agreement on other German economic questions. One disadvantage of yielding to such a procedure would be that occupation costs might be increased greatly until such time as the German economy could support these charges. Increased production to fulfill the requirements of this alternative might have the danger of increasing the potential military menace of Germany, as feared by the French.

34. The third alternative is:

> To reconsider the entire question of further reparation in the light of the objective to maintain a level of industrial production geared to European reconstruction requirements.

This alternative may fit most closely the emerging pattern of United States economic policy for European reconstruction. This revision of the reparation program would be aimed at using German potential for building up the war-torn countries, and while related to the reparation program, it would have advantages and disadvantages over and above those connected with reparation payments. It may be expected that this alternative will meet with objection from France and other smaller European countries if it places too much emphasis on the revival of Germany. Yet the growing realization that a high and increasing level of production in a Germany integrated in the European and world economy is essential to European reconstruction may force acceptance of this alternative. Although reparation from current production to the extent contemplated in the third alternative would be of value to the receiving countries, it would not have the same widespread effect as that envisaged under this alternative.

35. The fourth alternative is:

> To insist on confining reparation to the amounts and forms to which the United States agreed at Potsdam.

This alternative will probably prove impracticable if a change in the level of industry compels a reduction in the number of plants designated for removal, as implied in the first, second, and third alternatives. It would imply resisting the Soviet request for reparation from current production, in more than the limited sense intended under the first alternative, since to yield would involve increased occupation costs for the western occupying powers and chiefly the United States, until the German economy produced an export surplus adequate to cover the reparation charges. As Mr. Bevin pointed out at the Moscow meeting, reparation at the present time from current production would mean that in effect the occupying powers of the western zones were paying reparation to an ally. Strict adherence to the second alternative is probably impossible now, in view of the recent decision to raise the level of industry in the British and American zones, which decision has diminished the number of plants available as reparation removals.

36. The fifth alternative is:

No further reparation from the western zone.

Acceptance of this alternative might be forced on the western powers as a result of the further deterioration of the German situation. Such a procedure would point toward the division of Germany. Since 25 per cent of the reparation removals are for Soviet account, this alternative might be considered as the first step in the direction of integrating the western zones into Western Europe.

E. FUTURE GERMAN FRONTIERS

37. The fifth issue is:

What stand should the United States government take on the determination of the future German-Polish frontier?

There has been no discussion of the German-Polish boundary since the Moscow Conference of 1947, when the Soviet Union refused to agree to the United States proposal for a re-examination of the Oder-Neisse line or to the suggestion that certain of the economic resources of Upper Silesia might be administered for the benefit of the European economy as a whole, despite the award of that territory to Poland. The issue is especially important in the relations between the major powers because the United States and the Soviet Union differ radically in their interpretation of the extent of the commitment made at the Potsdam Conference in drawing the provisional frontier.

38. The first alternative is:

To press for an adjustment of the frontier eastward.

From the point of view of the United States objectives for Germany as defined in the statement of the problem, this alternative is the most desirable solution; but its practicability is open to question. Historical arguments favor German retention of the eastern provinces; their cession to Poland would encourage German irredentism in the years to come. The permanent detachment from Germany of the eastern agricultural area beyond the Oder-Neisse line would deprive the Germans of a significant part of their food supply. Under Polish administration the area has produced much less than formerly, and this has contributed to the acute food problem in Europe. The population of the present truncated Germany has been increased by the influx of population from the east, with the consequence that it is more dependent on imports than previously. Exports in the future must be correspondingly increased before Germany can be made self-sustaining. Although the principle of compensation for Polish territorial losses in the east has been agreed upon, it is probable that British and American negotiators envisaged cession of part of East Prussia and Upper Silesia to Poland with the German boundary drawn farther to the east than the Oder-Neisse line. The chief objection to pressing for this alternative is that it is probably too late to rectify the situation. Polish administration of the area, coupled with almost complete transfer of the German population, has effected a fait accompli.

39. The second alternative is:

> To accept the Potsdam line, subject to arrangements that will make industrial and agricultural production of the eastern provinces of prewar Germany serve the needs of European rehabilitation and reconstruction.

In referring to the Ruhr and Upper Silesia at the Moscow Conference, Secretary Marshall made a statement that conforms to this alternative. He said that he hoped for agreement on the following two principles: "(1) equitable distribution of essential commodities in short supply; and (2) access to essential commodities on a nondiscriminatory basis." 5/ It might be necessary to fall back on this second alternative with the hope of salvaging as much as possible of the economic resources of Germany's former eastern provinces for the general European interest. It is not easy, however, to foresee the kind of arrangements that would be necessary to make the food production of the old German "bread basket" and the industry of Upper Silesia available for the European economy; these would probably involve bilateral trade agreements, however, between Poland and countries to the west, which would require Soviet consent.

40. The third alternative is:

> To accept the line tentatively agreed to at Potsdam.

As is clear from the argument in relation to the first alternative, this third alternative has no intrinsic advantages to recommend its acceptance by the United States, and if it is sponsored, it will be primarily for tactical reasons. The acceptance of the third alternative would be bowing to the inevitable, after the resources of diplomacy had failed to move Poland and the Soviet Union from their present position. The best that could be said for it is that it might be part of a general settlement that contained compensating advantages elsewhere.

41. Western German territorial questions were also discussed at Moscow, and France was insistent that both the eastern and western boundary questions be considered together. It is probable, however, that they will be treated as separate problems except as they are related in concession and counterconcession in the negotiations among the major powers on the German settlement as a whole. On the basis of British and American approval of the French proposal to detach the Saar and to integrate it economically with France, the French have gone ahead with their plan, despite the Soviet refusal to agree. There still remains the more complicated problem of the Ruhr.

F. FUTURE ADMINISTRATION OF THE RUHR

42. The sixth issue is:

> What proposals shall the United States support for the future administration of the Ruhr?

43. Because of its economic and military potential, the future disposition of the Ruhr is basic in the German peace settlement. Decisions on the administration of the Ruhr are closely inter-related to the level of industry, reparation, and other economic and security aspects of the settlement. The problem is complicated by the time elements involved in the two phases—the occupation period and after. All of the four major powers are agreed that control at one time or another is necessary, but Great Britain and the United States maintain that special control need only be exercised through the occupation period. Since the Ruhr is located in the British zone of occupation, that country is in a good position to give effect to its plans for the immediate future. Economic fusion of the American and British zones has also given the United States a voice in the present utilization of the Ruhr. The discussion of the alternatives below is in terms of the future settlement, not the occupation period. Decisions on the Ruhr must strike a balance between the counterclaims of European security (German disarmament) and the economic recovery not only of Germany but of Europe as a whole.

44. The first alternative is:

> Four-power control of the Ruhr, provided that Germany is unified and that satisfactory arrangements are made in the case of Upper Silesia.

The alternative of four-power control without detachment from Germany presupposes a unified country. This alternative represents the only conditions on which the United States would be willing, in accordance with its present general policy towards Germany, to accept the Soviet proposal of four-power control. When the Soviet proposal was put forward at Moscow the United States pointed out that four-power control would be achieved by the economic unification of Germany as stipulated at Potsdam. Theoretically this alternative might have the advantage of providing a framework for four-power co-operation, but in view of experience during the occupation it would probably prove to be a disadvantage in practice. The solution envisaged by this alternative is highly contingent since its practicability is dependent on reaching an agreement among the major powers on the unification of Germany economically and on the equally difficult arrangements regarding Upper Silesia.

45. The second alternative is:

> Two- or three-power control of the Ruhr in the event that Germany is divided.

This alternative is at best a last resort, since it assumes the partition of Germany, and it would hardly be pressed as a long-run solution. From the point of view of Great Britain and the United States, this solution might have certain advantages over detachment and internationalization. It is unlikely, however, that these two powers would feel that it was necessary to introduce a special system of long-term control in detail if the more general security requirements of the kind contemplated in the United States draft of a quadripartite treaty were met.

46. The third alternative is:

Detachment and internationalization.

The advantages of this alternative are largely in the realm of security, and it represents a part of the French plan to prevent economic rearmament of Germany with the hope that at the same time it may be possible to use the economic potential of Germany to aid European recovery. Detachment would militate against treating Germany as an economic whole, and might contribute to irredentism in the future. But it may be objected that the use of the Ruhr resources in the interests of Europe as a whole can probably best be achieved within the framework of ordinary commercial relations, with the exercise of only very general controls over Germany. If this alternative were chosen the position of the smaller Western European powers would have to be provided for in the scheme of internationalization.

47. The fourth alternative is:

No detachment and no special long-term control.

This alternative most nearly defines the American and British positions. It is based on several important presuppositions, the chief of which is that a quadripartite treaty or some other type of general control would adequately meet the French fears about security. The United States view is that the security aspects of the Ruhr could be dealt with adequately within the general framework of the disarmament and demilitarization controls, and that no special system is necessary. As for the longer-range economic aspects, the United States has proposed merely that the resources of both the Ruhr and Upper Silesia should be operated to serve the interests of all Europe. It rejected any plan that would put "a group of deeply interested foreign countries in indefinite control" 6/ of the Ruhr resources. The consent of all the occupying powers or even of the three western powers to this alternative would be conditional on agreement being reached on other and more specific economic questions, such as the level of industry.

G. LENGTH AND BASIS OF CONTROL

48. The seventh issue is:

What should be the basis of control over Germany in the interest of future security, including the length and nature of the occupation?

49. Four-power control of Germany during the occupation period has been successful in bringing about immediate demilitarization and disarmament. The German land, air, and sea forces have been disarmed and

disbanded, although rumors persist that some of the formations under the control of the Soviet Union are still maintained as active military units. Military installations, weapons, and material have been destroyed or rendered useless. The major German war criminals have been punished and the trials of the others are rapidly proceeding. There has been no agreement, however, among the four powers on the method of long-term control of Germany to prevent future aggression.

50. The principal question in the long-term control involves the United States proposal for a 25- to 40-year quadripartite treaty to enforce continued German disarmament and demilitarization. The assumption underlying the proposal is that mutual guarantees of assistance in the event of aggression, combined with measures of inspection to prevent rearmament, would give adequate future protection. Both the United States and Great Britain, on this assumption, would be content with a relatively short period of military occupation. But the Soviet Union and to a lesser extent France think differently. They interpret disarmament more widely to include the reduction of the economic strength of Germany and they favor a long period of military occupation as part of the means of achieving it. As an additional argument for a long occupation, the Soviet Union introduces the need to compel fulfillment of reparation deliveries. The injection of the reparation issue into the discussion of occupation policy and the basis of control complicates the problem, yet it is difficult to keep reparation or all the issues relating to the long-run treatment of Germany from creeping into the discussion. In fact, the Soviet Union has strongly argued that consideration of the quadripartite treaty might be delayed pending the resolution of other issues, especially economic disarmament, reparation, and territorial changes. The proposals of the Soviet Union have included the incorporation in the treaty itself of guarantees for the payment of reparation.

51. An important part of the disagreement between the four occupying powers arises from the undertaking at Potsdam to treat Germany as an economic unit. This aspect also reveals the extent to which the seventh issue is inseparably connected with the other issues. The treatment of Germany as an economic unit implied the establishment of central administrative agencies to overcome the zonal divisions of authority and conflicts of policy, but it has as yet proved impossible to establish them. In the absence of central administrative agencies, the zonal system of occupation has in effect partitioned Germany both politically and economically. The Anglo-American zonal agreement may be a step in the direction of eventual unification of Germany, and French reluctance to participate in merger arrangements of this kind appears to be weakening; but the final achievement of economic unity, whatever its nature, will depend on the settlement of the other issues discussed above.

52. The first alternative open to the United States is:

> To press for a quadripartite treaty with machinery of long-term control to assure continued disarmament and demilitarization, on the assumption that military occupation of the present scope might then be relatively short.

The adoption of this alternative would imply a reasonable hope of persuading the Soviet Union to agree to a quadripartite treaty by making progress in the settlement of related issues. It would also imply that the Soviet Union and France were willing to accept the assumption that whatever the future economic strength of Germany, military occupation of the present scope would not be essential to future security. Such a treaty would have the possible advantage of facilitating removal at a relatively early date of the main body of Soviet troops from Germany and conceivably from other parts of Europe. Such removal is the only acceptable condition for the similar removal of the main body of American and other Allied forces from Germany. It would also help in clearing the way for agreement and action in establishing the future status of Germany. Although bilateral arrangements such as the Anglo-Soviet or the Anglo-French treaties might well coexist with the quadripartite treaty, their existence is a complicating factor in the consideration of the first alternative. Terms similar to those proposed by the United States might be expected to be easily negotiated in an over-all German settlement, but the prospect of the Soviet Union accepting the proposal in a form acceptable to the United States appears to be remote and this is the chief obstacle to the adoption of this alternative.

53. The second alternative is:

> In the absence of reasonable prospects for a quadripartite treaty, to undertake a long period of military occupation of a scope adequate to assure continued disarmament and demilitarization.

The nature and scope of the occupation would in this case depend on the extent to which the definition of disarmament included the diminution of German industrial strength. If this factor weighed heavily in the definition, the adoption of this alternative would imply changes in present United States policy for the revival of a viable Germany. Continuance of the occupation as envisaged by this alternative might also imply a reversal in the present policy that seeks the early establishment of an autonomous German government. Until agreement was reached on the economic unification of Germany, it would involve the United States and Britain in the burden of supporting their zones, while there would be no reason to expect an early easing of the difficulties of securing Soviet agreement on the administration of Germany as a single unit. Friction between the Soviet Union and other occupying authorities might well force a decision to amalgamate the three western zones into a single zone, even more isolated from the Soviet zone than is now the case. The result of the acceptance of this alternative, under the pressure of events, might be inferior to a deliberately chosen tripartite settlement for Germany on the lines of the first alternative but omitting the Soviet Union.

54. The third alternative is:

> No modification in present occupation policy pending the resolution of other issues.

Apart from the force of inertia that would make for the acceptance of this alternative, there is a sound reason for avoiding a precipitous acceptance of it if the first alternative is not immediately attainable. Modifications in policy, such as the bi-zonal agreement with Great Britain, may improve the administration of Germany and prepare the way for the permanent solution. After the meeting of the Council of Foreign Ministers in November 1947 it may be possible to assess more accurately the prospects for agreement with the Soviet Union on collateral issues. A further possible advantage of this alternative is that only when agreement is reached on other basic German economic issues will a plan for long-range control on the model of the proposed quadripartite treaty be acceptable. But it should be recognized that prolongation of the present state of uncertainty would be damaging to European recovery and that the decision should not be long deferred.

H. PEACE SETTLEMENT PROCEDURE

55. Since Germany upon surrender ceased to exist as a state, a peace treaty with Germany is not legally possible. The victors, therefore, must negotiate among themselves a treaty to create a new state. This treaty may contain all the obligations that they might wish to impose upon Germany.

56. The eighth issue is:

> What procedure should be adopted in formulating and drafting the agreement or treaty that is to constitute the settlement?

There are several alternative courses of action possible in determining the procedure to be followed in negotiating the treaty, but the most important choice involves the extent to which the smaller Allies shall be allowed to participate. Precedent in negotiating the Italian and Axis satellite treaties points up the complications involved. So long as the negotiations continue on a four-power basis, the crux of the issue is: shall the smaller Allies participate fully in the process or shall agreed decisions first be reached by the four major powers.

Footnotes

1/ Occupation of Germany, Department of State Publication 2783, European Series 23, p. 49.

2/ The same, p. 49.

3/ The same, p. 50.

4/ The same, p. 51.

5/ For text of the statement see The Department of State Bulletin, Vol. XVI, No. 407 (April 20, 1947), p. 695.

6/ The same, p. 695.

PROBLEM PAPER "B"

AMERICAN ASSISTANCE TO EUROPE

STATEMENT OF THE PROBLEM

To determine the amount, composition, terms, and conditions of further American economic assistance to Europe in the light of the Report of the Committee of European Economic Co-operation submitted to the Secretary of State on September 22, 1947.

EXPLANATORY NOTE

1. This problem arises basically from the continued inability of European countries to restore their economies to a normal peacetime self-sustaining basis without further large-scale assistance from the United States and from the view expressed by the Secretary of State in June 1947 that the United States could not proceed much further to alleviate the situation unless a joint program, agreed to by a number of, if not all, European nations were drawn up on European initiative. As a result of the refusal of the Soviet Union and Soviet-dominated countries to participate in drawing up a program for all of Europe, the problem has taken the special form of action required on the basis of a report submitted by a part of Europe only. Fundamental issues have been raised by this artificial division of the general problem of American aid to Europe as a whole, by the nature of the Report of the Co-operation Committee itself, by the special position of Germany as a factor in European reconstruction, by the development of certain shortages in the American production of commodities necessary for European reconstruction, and by conflicting currents of American opinion on the extent to which domestic policy should be modified to meet the impact of European requirements on the American economy.

2. Prior to June 1947 the needs of European countries, as of all other countries, were considered by the officials of the United States government in the light of stated broad policy objectives, but decisions were taken through a series of country by country negotiations. After the Marshall proposal was made, Europe as a whole became the focus of American policy in helping other countries. The problem of American assistance to Europe became a single policy problem within which many specific issues, some quite new, presented themselves for consideration.

3. Though American assistance to Europe must be fitted into the pattern of American assistance to the world as a whole, a high priority attaches to aid to Europe owing to the intensification of the economic crisis, which in the summer of 1947 brought many European countries face to face with problems that seriously threatened the foundations of their economic, social, and political life. On the economic side the problem is urgent because Europe is one of the world's great workshops, having been the source of one half the total of international trade before the

war. On the political side it is urgent because recovery is essential if democratic forces are to be kept alive and communist pressure to force changes in the form of society is to be resisted. The highly organized industrialized societies of Europe are vulnerable to economic and political disintegration. But they are also resilient because they contain within themselves the sources of their own regeneration, provided that they are helped in time to stop the processes of deterioration that have resulted from the war and are allowed to develop forms of social organization with which the United States can co-operate on a basis of mutual respect and mutual benefit.

4. An additional reason for selecting this problem is the very large number of points at which the fate of Europe touches American interests. In Europe, as elsewhere, economic and political health are inseparable. Both are essential to political stability and security, whatever assumptions are made regarding other forces at work affecting the problem of peace and security. The reconstruction of Europe, including Germany, has consequently become an accepted tenet of United States policy, for reasons that go to the very roots of American objectives in the political and security fields. This is recognized as axiomatic, for example, in the directive of July 11, 1947 to the United States Commander in Germany, where it is stated that the primary interest of the United States throughout the world is a just and lasting peace, which can be achieved only if conditions of public order and prosperity are created in Europe as a whole.

5. American economic self-interest in European recovery rests in the final analysis on the belief that a flourishing world trading system, as universal in scope and as free and flexible in character as circumstances permit, provides the best milieu for the development of American human and material resources. Europe, with its great output of manufactures, occupies a strategic position in a world-wide network of trade and system of multilateral payments. Before the war South Africa, Canada, Australia, and New Zealand and the nontropical agricultural countries of Latin America acquired as a group from their export surpluses to Europe funds with which to buy on balance from the United States; while Europe was able to provide these dollars and in addition itself to buy on balance from the United States with funds earned by net exports to Central Africa, the tropical and mineral producing regions of Latin America, India, Ceylon, Burma, and Southeast Asia. These countries in turn were as a group able to provide the dollar funds as a result of net exports to the United States. In the fifty years before the great depression of the 1930's, this pattern of multilateral trade persisted in its general outlines except for the period of World War I. During this period there were many changes in the size of the net exports and imports of these great trading groups with each other, but the gaps in the system were on the whole adequately provided for by the international movements of loans and credits. This general multilateral trading system was the basis for the vast growth in American exports during this period. Without European recovery no such world-wide network can be re-established.

6. The expansion of exports is only one facet of America's interest in rebuilding, partly through aid to Europe, such a world system. When the fruits of reconstruction are yielded, the United States will gain not because of a simple contribution from exports to the volume of employment,

but because of the greater over-all return to American resources when used in the service of a world-wide system. Imports, their volume and quality, reflect the gain rather more than exports, for imports are what we get to nourish the economy in exchange for exports. Even imports, despite their striking importance in the case of products not produced here or of natural resources in danger of exhaustion do not reveal fully all the benefits to the standard of life that are derived progressively from closely integrating the American system with a developing world system by a series of innumerable adaptations.

7. This establishes a connection between the narrower problem of assisting Europe and the wider problem of foreign lending for developmental purposes. The United States has replaced Britain as the world's greatest lender and its interest in lending for development lies in the continual expansion of the world system. But the full force of American lending power cannot be exerted until favorable world-trading conditions have been restored, and the solution of the European emergency problem is a prerequisite to this. Moreover, the Western European countries will eventually take their places again among the countries with the highest current incomes, and sooner or later they can hardly fail to join the ranks of potential international lenders. In that event, they will play their part with the United States in restoring the network of world lending that is essential to development and the expanding world markets that accompany it.

8. Though on general grounds such as these it is clear that the recovery of Europe, the cradle of Western civilization, still teeming with millions of highly skilled and cultured people, must be of decisive importance to the future of the world and must profoundly affect the interests of the United States, the precise nature of these interests is not easy to depict in a way that is both clarifying and convincing to the American people. When, however, concrete issues relating to European recovery present themselves for government action, clarification is imperative, and the delineation of carefully defined alternative courses of action is a necessary preliminary to well-considered action. This is the approach of responsible officials. The memorandum giving the factual and historical background of the problems on which decisions must be reached, and the memorandum dealing with the issues and alternatives, illustrate this approach within the general limitations of the Study Guide.

9. The developments that followed Secretary Marshall's speech at Harvard have made it necessary to formulate the general problem of aid to Europe in a particular frame of reference--that of the "Marshall plan." This makes it necessary to set out a series of issues growing directly out of the presentation of a general program by a part of Europe, and a series of collateral issues raised by their repercussions on other parts of Europe, on the rest of the world, and on the American economy.

10. Any program that is put into effect must of necessity be premised on the ability of the American economy to provide quantitatively, specifically, and at the time needed without undue strain on itself, the materials that, after due consideration, have been included in the program. The impact on the American economy of assistance to be given must be weighed against its long-run contributions to the achievement of general American

foreign policy objectives. The problem is essentially one of judging where the best interests of the United States lie. Moreover, the Marshall plan involves a world procurement problem and what will be required of the American economy depends on what can be obtained elsewhere. Experience since the war would indicate that the American economy can sustain an overall export surplus of the magnitude required by the plan, but there will be difficulties with some commodities in short supply. Since it is not possible to foresee accurately the course of economic events at home and abroad over a four-year period, the administration of any long-range plan that is adopted must be kept flexible. For this reason no attempt is made here to discuss the specific issues of domestic policy that may confront the United States in the course of implementing the Marshall plan.

PROBLEM PAPER "B"

AMERICAN ASSISTANCE TO EUROPE

MEMORANDUM ON THE BACKGROUND OF THE PROBLEM

A. THE EUROPEAN ASSISTANCE PROBLEM IN ITS OVER-ALL SETTING

1. The submission of the Report of the Committee of European Economic Co-operation of the Paris Conference that was called in response to Secretary Marshall's proposal of June 5, 1947 is an important step in the development of the policy of the United States in assisting one part of the world. The United States government must therefore consider how this policy is to be fitted into its over-all foreign lending policy. Though a high priority attaches to aid to Europe, action must still be taken with an eye to other demands for American assistance, either now or in the near future, for reconstruction and development. In considering assistance to Europe, Congress will undoubtedly ask how much is likely to be needed for reconstruction in other parts of the world, and the Executive should be prepared to give some estimate, however rough. This raises the question of how far we should look ahead in planning reconstruction in all parts of the world. Should it be for whatever period is necessary to bring to an end the need for special assistance? Or, should it be for a fixed number of years, leaving action thereafter to be determined by a fresh review of the then existing situation? Or should forward planning in this respect be concerned only with the necessary steps to set in motion forces of recovery that it is hoped will be cumulative?

2. In the case of Western Europe, United States policy has been to encourage the development of plans that would bring the period of emergency assistance to a close within a definite time. This has been set in the report at four years. It is an open question, however, whether even the most careful and realistic planning can guarantee that at the end of this period a fully self-sustaining economy will be re-established in Western Europe. The report of the Co-operation Committee concludes that if the action contemplated is fully carried out the sixteen participating countries will be able to carry on thereafter without further special American assistance. It is careful to state, however, that this result is dependent on the correctness of a variety of broad assumptions concerning future developments, many of which relate to matters outside the control of the participating countries. Nevertheless, the report, prepared with the "friendly aid" 1/ of the United States and with the help of the British and American occupation authorities, ensures that the estimates to be submitted to the Congress by the Executive will be designed to bring about a definitive solution of the problem within a four-year period. No such forward planning for further American reconstruction aid to other areas has been undertaken, and this renders it difficult to place estimated requirements of Western Europe within a framework of estimated over-all requirements. Indications of the relative order of magnitude of the Western European problem within the global problem can, however, be given.

3. The Co-operation Committee estimated in its report that during the four-year period 1948-51, the participating countries, after full

allowance for carrying out all indicated measures of self-help, will have an over-all trade deficit with the rest of the world of 19.63 billion dollars. This figure is broken down into three main geographical components as follows:

Deficit of the sixteen countries	(In millions of dollars)
With the United States	15,810
With the rest of the American continent	5,970
	21,780
Deficit of Dependent Territories with the American continent	660
	22,440
Less	
Surplus with rest of the world	2,810
Over-all deficit	19,630

On the assumption that the surplus with the non-American countries will not be convertible into dollars and that the deficits with Canada and Latin America will all be payable in dollars the report takes the figure of 22.44 billions as a basic indication of the dollar requirements of the sixteen countries for the four years. It states (in paragraph 11) the relation of this figure to the probable amount of financial assistance to be asked of the United States in the following words:

> "...it must be understood that the participating countries neither ask nor expect special aid from the United States to the full amount of that deficit. Some of the deficit can be filled through private financing and investment or the use of any suitable assets still available to the participating countries, and some through the International Bank for Reconstruction and Development. The amount of aid which each country needs in order to make its full contribution to the European recovery program is not specified in this report." 2/

The amount of productive equipment included in the estimated trade deficits with the Americas that might be appropriately financed by loans from the International Bank and other credit sources, however, is estimated in the report at 3.13 billion dollars for the four years, leaving a net deficit of 19.31 billion dollars to be financed by United States government assistance and such other dollar sources as may be available to the participating countries.

4. The report further indicates a high degree of concentration of the expected trade deficit with the Americas in the first two years by giving the following yearly breakdown (paragraphs 150 and 151):

(In millions of dollars)

	1948	1949	1950	1951	Total
United States	5,640	4,270	3,280	2,620	15,810
Rest of American Continent	1,940	1,820	1,300	910	5,970
	7,580	6,090	4,580	3,530	21,780
Deficit of Dependent Territories	460	260	70	130*	660
Total	8,040	6,350	4,650	3,400	22,440
Equipment assumed to be financed by International Bank and other credit sources	920	890	720	600	3,130
To be financed by other means	7,120	5,460	3,930	2,800	19,310
Total	8,040	6,350	4,650	3,400	22,440

*Surplus

In contrast the expected surplus with other parts of the world is concentrated in the last two years, 1.8 billion dollars of the expected total of 2.81 billion dollars being estimated for 1951.

5. Estimates of the expected trade deficits with the American continent for 1948 as submitted to the Co-operation Committee by individual countries are published in the report (paragraph 148). The five largest of these are as follows:

(In millions of dollars)

Great Britain	2,630
France	1,760
Western Germany	1,270
Italy	930
The Netherlands	630
Greece	510
Total	7,730

Although they are based on different assumptions from those finally adopted in the report, and are consequently somewhat larger than the final estimates, these figures clearly indicate the principal deficit areas. Of these deficits, that of Great Britain is expected to be the most persistent while that of France is expected to be almost entirely in the first two years.

6. As the report of the Co-operation Committee is careful to indicate, trade deficit figures such as these cannot be taken as an accurate

reflection of the financial assistance that will be required from the United States. They are in their nature uncertain when projected for as long a period as four years and must contain a large element of guess work with regard to the future course of prices. The latter factor is reported to have been partly responsible for a substantial reduction in the Committee's original estimate, said to have been of the order of 29.2 billion dollars. 3/ These trade deficit figures are also predicated on assumptions regarding the nature of the European recovery effort that may be substantially changed in future negotiations. Moreover, they rest in particular on one major assumption that may or may not be well-founded, a gradual increase in the flow of trade between Eastern and Western Europe. In these respects the report appears to take a distinctly optimistic view of the future. The two assumptions that it makes on the further development of trade between the United States and other countries are, on the contrary, rather pessimistic. The report calls attention (paragraph 156) to the fact that if there is a sufficient flow of dollars to countries with which Western Europe expects a trade surplus, the dollar requirements will be reduced from 22.44 billions to 19.31 billion dollars, but it assumes that this will not be the case, even though many traditional dollar earners are in this group of countries.

7. The second assumption, that the whole of the deficit with Latin America and Canada must be paid for in dollars, may also prove to be extreme. If American trade with these countries develops in such a way as substantially to diminish their requirements for dollars on current account, it may be possible for the Western European countries to settle some of their accounts with them through direct credit arrangements or other means not requiring the expenditure of dollars by Europe. In short if, within the four-year period, the highly abnormal condition in which American foreign trade shows an export surplus with all the major parts of the world should come to an end, substantial reductions in the over-all need for dollar assistance might result, with corresponding reductions in the aid to be given by the United States government. The latter may be further reduced, as the report points out, by such gold and dollar reserves and unexpended balances of old dollar credits as may still be available after the close of 1947. Although these assets were being drawn on so heavily in the second half of 1947 as to indicate the urgent need for emergency action to tide over the winter of 1947-48, they may serve, in the case of Great Britain at least, to reduce not only the total assistance needed during the four years, but also the heavy incidence of the requirements during the first two years. In addition, there is the possibility of a large return from hoarding at home and abroad of gold and dollar assets as confidence returns in the economic stability of certain of the participating countries, notably France. These various considerations suggest the degree of caution with which even the most carefully projected estimates must be approached.

8. Finally, the report stresses (paragraph 75) the importance of restoring European monetary reserves and the early inauguration of thoroughgoing stabilization programs in many of the participating countries. It suggests that this may require "supplementary" assistance from abroad possibly amounting to 3 billion dollars.

9. Although it is certain that adjustments will have to be made as further investigations and negotiations take place in the light of actual

developments, the report establishes at about 19 billion dollars for the next four years the dollar shortage that the participating countries think will have to be met from sources other than International Bank loans and normal credit operations. The margin of error on either side, however, can hardly be less than 3 billion dollars and might quite possibly be more.

10. The economic and statistical foundations for any estimate of the need for American financial assistance in completing reconstruction in other parts of the world are far more slender and uncertain than those on which the estimates for Western Europe rest. The Economic and Social Council of the United Nations issued in February 1947 an interim report on the urgent needs of some devastated countries for short- and long-term reconstruction and the existing financial means of meeting them. Among these countries were Czechoslovakia, Poland, Yugoslavia, Finland and Hungary, and the conclusion was reached that these countries would require about 900 million dollars in addition to their own foreign exchange resources to meet their requirements for 1947. These figures have not been projected into the future, but since Poland and Czechoslovakia have applied for loans of 600 million and 350 million dollars, respectively, from the International Bank, and Rumania and Bulgaria are not included, a figure of 1.5 billion dollars would not seem excessive to represent the requirements of Eastern Europe in the near future.

11. There remains all of Asia and the Far East (including Japan and Korea), Latin America, and the Soviet Union. A continuation for some time of a rate of American expenditures in Japan and Korea in the neighborhood of 400 to 500 million dollars seems probable. China is in urgent need of assistance, probably much in excess of the half-billion dollars that was earmarked for it by the Export-Import Bank until June 30, 1947. A guess of a billion dollars for China would be conservatively low. If the Soviet Union consents to collaborate in reconstruction, it will be a potential claimant, and it is difficult to assume less than 2 billion dollars as its loan absorptive power, given an encouraging political climate. Even in present circumstances it would be unrealistic not to include this minimum amount for the Soviet Union in calculating the total potential demand for international loans and assistance. In addition the United States is confronted with heavy demands for developmental loans in Latin America and elsewhere. In his opening address at the Inter-American Conference in Rio de Janeiro in August 1947, Secretary Marshall made it clear that Europe had definite priority in obtaining American assistance, but when the economic problems of the Western Hemisphere are reviewed at the forthcoming Conference in Bogotá in January 1948, this question is certain to be pressed with considerable urgency.

12. These figures are no more than guesses, but they indicate that the urgent needs for American assistance for countries other than those participating in the work of the Co-operation Committee, which it may be desirable to meet as quickly as possible, would not be grossly exaggerated if placed at between 5 and 6 billion dollars plus such amounts as may be found necessary for Latin American countries.

13. One of the problems in concerting action in giving aid to Europe is to squeeze out the water that may have appeared in the estimates

of some countries by applying a more realistic test of urgency. This is necessary partly to maximize the effectiveness of the aid given, and partly to conserve American capacity to meet other demands, which from the European point of view may be thought of as competitive. From the immediate point of view, and particularly since all legitimate demands upon the United States for assistance cannot be satisfied simultaneously, these demands are competitive, but in the longer and broader economic view they are complementary because the different parts of the world are interdependent. United States imports from and loans to other countries are therefore advantageous to Europe. The quantitative importance of this is clearly shown by the fact that if the Balance of Payments Committee of the Co-operation Committee had chosen to base its estimates on a different set of assumptions concerning the future course of United States trade with other parts of the world, its statistical conclusion would have been altered by several billion dollars. Another problem of American policy is therefore to determine or estimate the indirect effects on the European economic problem of American aid to other areas.

14. Although the over-all requests for assistance from the American economy have been estimated collectively by the sixteen countries, and common measures of co-operation on their part have been proposed, there remain many questions of American policy on assistance which apply to each of them separately. Among these are how to determine the precise manner in which the needs of each participating country are to be defined within the over-all total, by whom the necessary tests of urgency and the judgments of priority are to be applied, how the economic criteria that are inseparable from all major lending operations are to be applied, and what weight should be given to the political and security considerations that have special applicability to particular countries.

B. THE BACKGROUND OF UNITED STATES LENDING POLICY

15. A review of United States policy in assisting other countries from the time of lend-lease to the submission of the Co-operation Committee's report will help to clarify some of these problems. During the war, beginning in the period of United States neutrality, lend-lease was the instrument for rendering United States aid to the whole Allied world. Lend-lease has been praised as the greatest political concept invented in this war, and the 49 billion dollars of lend-lease, which reached an annual rate of 15 billion dollars in 1945, raised expectations abroad that, as a result of the new concept of solidarity, American aid would be forthcoming, for a time at least after the war, on terms less onerous than those appropriate to commercial loans. Some of these expectations were doomed to disappointment, but enough have been realized to give grounds for the belief that a new concept in the relations between countries was born of the war.

16. With the memory still fresh of the disturbing economic and political effects of the debts left by World War I, which still leave their mark on the statute books in the Johnson Act of 1934, United States policy during World War II was to avoid so far as possible the creation of unmanageable war debts. War expenditure as such is barren and yields no revenue to finance the loans on which it is based. Therefore, lend-lease

deliveries that were destroyed in the war or were useful only for destructive purposes were not to be paid for in the final settlement. The incorporation of this basic principle gave great significance to the Mutual Aid Agreements, usually called the Lend-Lease Master Agreements, that the United States negotiated with recipients of lend-lease. In the autumn of 1944, when it was expected that after the defeat of Germany, the war in "Phase II" against Japan would continue for perhaps eighteen months, negotiations with the British reached tentative agreement on the readjustment of Mutual Aid to the expected new circumstances. The agreement would have provided reasonable scope for the restoration of British production for nonmilitary purposes and ensured that the principles governing American lend-lease during Phase II would not impede the recovery of British exports. Owing to the sudden defeat of Japan, the expected reduction of lend-lease by stages was not realized, but the discussions helped to prepare the two governments to meet the problems of final settlement of Mutual Aid accounts. In the settlement agreements negotiated after V-J Day, recipients of lend-lease kept and paid for only those parts of nonmilitary lend-lease supplies or installations that were valuable for peacetime purposes. Loans by the United States government for this purpose, such as the 590 million dollar lend-lease settlement loan to Britain, as well as loans to dispose of United States military surpluses, should be classified as reconstruction credits.

17. An important policy decision was taken when the President announced on August 30, 1945 that lend-lease would cease immediately. Pending demobilization to a peacetime level, military costs continued after lend-lease ceased, and these were especially serious for Britain with its large forces abroad and therefore its enormous volume of overseas expenditure. The argument was advanced by the British that the partial sharing of the economic burden of war, which lend-lease had accomplished, should be continued while the final installments of the costs of war were being liquidated. This was judged to be politically impracticable by the United States government and hence the decision to replace lend-lease by a system of relief and loans. It should be noted, however, that the lend-lease settlements (including the credits for items in the "pipe-line") were undoubtedly generous to recipients of United States lend-lease. To this extent the United States government contributed to reconstruction in the spirit of the view that this process was part of the final costs of war.

18. The Anglo-American Financial and Commercial Agreements, which included the settlement of lend-lease, were signed in December 1945, and the time was then ripe for a policy decision on United States future lending policy. In July 1945 the Bretton Woods Agreement Act had established the National Advisory Council on International Monetary and Financial Problems (NAC) "in order to coordinate the policies and operations of the representatives of the United States on the Fund and the Bank and of all agencies of the government which make or participate in making foreign loans or which engage in foreign financial, exchange or monetary transactions." 4/

19. The foreign loan policy as set forth by the National Advisory Council 5/ was designed, "by assisting in the restoration of the productive capacities of war-devastated countries and by facilitating the sound

economic development of other areas," to create "an international economic environment permitting a large volume of trade among all nations." Thus the lending program was linked with the trade policy of the United States. The Council declared that the loan to Britain was to be a special case because "no other country has the same crucial position in world trade as England," and that it would "not be a precedent for a loan to any other country."

20. The Advisory Council assumed that the International Bank would eventually be the principal agency for making international loans that could not be obtained from private capital markets on reasonable terms. Pending the beginning of operations by the Bank, the Council advised that the United States government should help to fill the gap, although it could "meet only a small proportion of the undoubtedly large needs of foreign countries for credits for reconstruction and development." Up to that time the policy had in fact been to limit loans through the Export-Import Bank for reconstruction and development to "the immediate, minimum needs of the borrower." The Council listed the factors to be taken into consideration as: (1) urgency of need, (2) the borrower's own resources, (3) alternative sources of loans, (4) the ability to use the loan effectively, (5) capacity to repay, and (6) the impact of the loan on the United States domestic economy. To continue this policy through June 1947, the Council advised that the lending authority of the Export-Import Bank should be increased by 1.25 billion, thereby giving it the necessary 3.25 billion dollars of available resources.

21. In the transition from war to peace, the Council believed that this loan policy would assist not only foreign countries but also the reconversion of domestic industries, and on balance would benefit the United States provided that the volume of loans was not allowed to get out of hand. Nevertheless some part of the proceeds (probably as much as one quarter of the total) would inevitably be spent on products in short supply rather than on products of industries with excess capacity. The Council therefore recommended that powers of allocation and export and import controls should be maintained on these scarce commodities to minimize the adverse effect of foreign lending at home and to achieve rough justice in satisfying urgent needs abroad, and the Export-Import Bank was to discourage spending the loans on commodities in short supply. In July 1947 Congress extended until March 1, 1948 controls over powers of allocation and exports and imports as recommended by the Council.

22. In the meantime, United States policy had been formulated on relief assistance. Criticism of the administration of relief in Eastern Europe had been voiced in Congress in the spring of 1946; and at the Council session of the United Nations Relief and Rehabilitation Administration (UNRRA) in August 1946, the United States representatives favored a resolution for the early liquidation of the organization that was finally adopted. Acting Secretary of State Acheson announced on December 8, 1946 6/ that "the relief problems of the near future are not of a character which would warrant grants of enormous sums of money from the United States Treasury under conditions which would leave little or no effective control by the grantor of these funds." Furthermore, he stated that "no country should be given free relief unless it has adopted all reasonable measures

to help itself." On December 23, 1946 President Truman informed Congress that with the completion of the UNRRA program in the first half of 1947, spot needs of urgent relief would be met by unilateral action on the part of the United States or other assisting countries. Co-ordination between assisting countries was to be confined to the pooling of information with the Secretariat of the United Nations.

23. There was no further announcement of policy until March 1947 when the so-called "Truman Doctrine" was enunciated. The first discussion of the President's statement emphasized aid to Greece and Turkey. Beginning with Under Secretary Acheson's speech at Cleveland, Mississippi in May 1947, the broader implications of United States assistance received greater recognition. The assistance was to be given in areas where it would be effective in contributing to political and economic stability, promoting freedom and democratic institutions and restoring liberal trading policies. Secretary Marshall's statement on June 5 at Harvard reiterated this broad interpretation of the Truman Doctrine with special reference to systematic aid to Europe in conjunction with concerted proposals by European countries to help themselves. Statements of policy from the Truman Doctrine onwards reflect a progressive development in the government's view of what was required of the United States in contributing to world reconstruction. The emphasis was no longer on a special British problem but on European reconstruction as part of a world problem.

C. THE RECORD OF UNITED STATES ASSISTANCE

24. From July 1, 1945 to the end of 1946, United States assistance to more than fifty countries amounted to 14.3 billion dollars, in the form of cash loans, transfers of goods and services on deferred terms of payment, and contributions in money and in kind. Not all of the commitments in this total were expected to be disbursed quickly, and in fact the unutilized balance on December 31, 1946 was nearly 6.5 billion dollars. Some of the assistance was in the form of lend-lease goods and surplus property, which were produced during the war. They involved no strain on the American productive system in the period of rendering assistance.

25. Actual performance in 1946 in foreign lending and other aid by government and by private individuals is shown fully in the Department of Commerce statistics on international transactions of the United States as reported in Survey of Current Business for March 1947. According to these figures, the total of goods and services transferred from the United States to foreign countries was 15.3 billion dollars, while only 7.1 billion dollars of goods and services were received in return. This difference of 8.2 billion dollars is the measure of the net assistance of all kinds rendered by the United States in 1946. If the lend-lease and other surpluses amounting to 1.6 billion dollars are excluded on the ground that they were produced before 1946, then 6.6 billion dollars was the amount of assistance, both governmental and private, rendered by the efforts of 1946. The significance of this amount is best realized from the fact that it represented 3.4 per cent of the gross national product.

26. In financing this strictly 1946 assistance, gifts and other unilateral transfers, in kind and in money, by the United States government

and by private donors, totaling 2.9 billion dollars played the major part. Surplus property of 200 million dollars transferred to UNRRA is excluded from the total of 3.1 billion dollars of unilateral transfers since this was not strictly a part of the assistance from the 1946 United States economy. The sale of assets and gold by foreigners to the United States contributed 2.2 billion dollars. Loans, excluding the 1.4 billion dollars of lend-lease and surplus property credits, contributed the remainder of 1.6 billion dollars. The relatively small part played by loans is indicative of the transitional nature of the period, but the significant fact is that however it was financed, the American economy stood the strain of providing 6.6 billion dollars of assistance out of its 1946 resources, and that 3.8 billion dollars of this was financed either by new lending or by foreigners drawing down short-term balances or selling gold.

27. At the beginning of 1947 it was still possible to foresee a sufficient volume of dollar assets from the proceeds of old and new credits, and from existing gold and dollar reserves to finance without undue strain an expected 7.2 billion dollars excess of goods and services to be exported from the United States production for 1947. In March the Department of Commerce estimated that foreigners should be able to obtain 3.5 billion dollars in loans and credits from the United States in 1947 if surplus credits were excluded from the total. It was also expected that in addition to this amount of loans, unilateral transfers (that is, governmental and private gifts of which the major item would be American occupation costs) of 2.3 billion dollars would be made, leaving a balance of something over 1.5 billion dollars to be provided from other sources. These estimates were based on the expectation of (1) more rapid drawing on the British line of credit, (2) the starting of International Bank operations, and (3) some net outflow of private capital. These expectations have been broadly realized, but the drain on other foreign dollar assets was much greater than expected because the American export surplus was substantially in excess of the amount estimated.

D. THE DRAIN ON EUROPEAN DOLLAR RESOURCES IN 1947

28. During the first half of 1947, American exports of goods and services amounted to 7.6 billion dollars and imports to 2.9 billion dollars. As a result, the American export surplus was running at a much higher rate than in 1946. A peak appears to have been reached, however, in May when the export surplus was at an annual rate of over 11 billion dollars. Moderate declines followed in June and July, due in large part to quantitative import restrictions on shipments from the United States instituted by many "dollar-short" countries.

29. A feature of American foreign trade in the first half of 1947 was that the United States had a substantial export surplus to all five continents as follows: Europe - 2.4 billion dollars; Asia - 419 million dollars; Oceania - 66 million dollars; South America - 613 million dollars; North America - 879 million dollars. 7/ Though such continental figures conceal the position of individual countries, they clearly indicate the very restricted scope of possible multilateral settlements by the individual countries, and they demonstrate the total disappearance of any

broad world-wide pattern of multilateral clearance. The possibility that such a situation may continue has been taken into account by the report of the Co-operation Committee, as noted above, and this is responsible for a much larger estimate of Western European dollar needs over the four-year period from 1948 to 1951 than would otherwise have been made.

30. More important for the immediate development of the crisis has been the great increase in the dollar value of the American export surplus in 1947. This followed, after an interval sufficient to reflect the shipment of products contracted for at lower prices, the steady rise in American prices that began in the third quarter of 1946. Although other forces such as adverse crop conditions in Europe and the greater abundance of goods available in the United States were in part responsible, there can be no doubt about the general importance of the price factor.

31. Coming at a time when the transitional period between wartime and peacetime financing was ending, the rising American export surplus in the first half of 1947 greatly accentuated the importance of the United States as a lender of last resort in a gradually developing system of postwar international credit relations. It should not be overlooked that in the complex structure of international credit, a country may be borrower and lender at the same time. From July 1945 to the end of 1946 Britain borrowed 7.25 billion dollars which enabled it to render assistance to other countries amounting to 3 billion dollars of which 1.9 billion was in the form of loans and credits. Canada also lent 2 billion dollars; Sweden, 700 million; Argentina, 600 million; and Switzerland, 200 million. The strain recently placed on this whole system is illustrated by the difficulties encountered by France in negotiating an increase in the substantial sterling credits obtained from Great Britain, in the systematic review undertaken by Sweden of its own credit extensions (including its credit to the USSR) with a view to their reduction, the rapid drawing down of the Canadian loan to Britain, and most of all the drawing down by many countries of their gold and dollar assets at rates far in excess of those contemplated at the beginning of 1947.

32. The extent and distribution of this liquidation has been analyzed in detail in the August and September issues of the Monthly Review of the Federal Reserve Bank of New York. From July 1945 to June 1946 foreign countries as a whole did not resort to gold sales to replenish their dollar balances, but for the second postwar year the net gold inflow into the United States was 2 billion dollars and was still continuing in July 1947. The significance of this from the point of view of the need for further American financial assistance is increased by the fact that both South Africa and Switzerland were also making substantial increases in their gold holdings. The sale of gold to the United States has been accompanied by a reduction in foreign official and private dollar balances, which "after remaining practically unchanged on the whole during the first year after the end of the European war, declined by 1.1 billion dollars during the second year." 8/

33. Both European and Latin American countries have shared in this liquidation. French, Dutch, and Swedish gold and dollar holdings have been heavily reduced. Among the Latin American countries, Argentina has

drawn most heavily on its gold and dollar reserves, but substantial recent gold and dollar losses have been experienced by Brazil and Mexico. In addition Canada has also drawn on its reserves heavily in recent months. Until September 1947 British official gold and dollar reserves had remained relatively constant between 2.4 and 2.6 billion dollars according to reliable estimates, but a gold sale to the Federal Reserve Bank of New York of 80 million dollars was reported in that month, and others were expected to follow. Private British dollar balances, moreover, are thought to be less than in the year before the war.

34. These drafts on gold and dollar balances have been supplemented since the war by moderate sales by foreign countries of American securities at a rate of a little over 200 million dollars a year. In September 1947, however, the Federal Reserve Bank of New York stated that "the rate of liquidation may increase since the Netherlands Government is promoting the voluntary liquidation of American securities by Dutch citizens, France has requisitioned American securities held by French citizens, and Sweden has recently undertaken a census of domestically held foreign securities." 9/ At that time it estimated the value of total foreign held long-term American securities at 3.5 billion dollars of which Europe held 2,100 millions and Canada 600 millions. Among the European countries the United Kingdom held more than 600 millions, but these were partly pledged as collateral for a Reconstruction Finance Corporation loan granted in July 1941 of which 205 million dollars was still outstanding. Switzerland had somewhat less than 600 million dollars, the Netherlands over 400 millions, and France only about 250 millions. The Federal Reserve Bank concluded that "in the face of the current large British, French, and Dutch balances of payments deficit, these holdings are of limited importance."

35. Minimum legal reserve requirements and the need for maintaining enough dollar assets to serve as working capital for the conduct of international trade place severe limitations on the use of the remaining gold and dollar reserves of countries most in need of American financial assistance. In addition, a part of their existing gold reserves is already pledged as collateral for short-term loans extended by the Federal Reserve Banks and American commercial banks. Consequently, there has been a more rapid utilization of American credits than had been expected. On July 31, 1947 there were 944 million dollars of unutilized Export-Import Bank credits outstanding, of which Europe had only 504 millions. The rate of expenditure was, moreover, at that time running at about 250 million dollars each quarter. Since private loans were negligible, there remained the balance of the British credit, such loans as the International Bank and Fund might make, and 807 million dollars in uncommitted resources still available to the Export-Import Bank.

36. At the beginning of 1947 there was available 3.15 billion dollars in the British loan, but by August 1947 all but 400 million had been drawn down. In July alone 700 million dollars were used, which constituted in effect a "run" on sterling following the coming into force of the provisions of the loan agreement that required sterling to be made convertible for current transactions on July 15. This was due partly to a miscalculation of the effects of convertibility, since it had been expected that once sterling was made convertible, countries receiving sterling would

be content to leave it for employment and as reserves in London rather than withdraw it. It was due partly to faulty policing of the "transferable" accounts, which had been set up to guard against abuse of the convertibility rights. Responsibility for this policing had in some important cases been assumed by the central banks of other countries. It was due partly to the increase in the net British trade deficit in dollars. By agreement with the United States, the remaining 400 million dollars were frozen pending further Anglo-American decisions.

E. THE ROLE OF THE BRETTON WOODS INSTITUTIONS

37. Under these circumstances great importance is attached to the work of the new international monetary institutions established at Bretton Woods. The Fund started operations on March 1, 1947, but its Articles of Agreement prohibit the use of its resources for relief and reconstruction if the provision of facilities for these purposes involves more than their temporary use. Any contribution by the Fund to the problem of longer-term international lending could therefore be only through short-term loans. The Fund's function is to assist in establishing and maintaining interconvertibility of currencies in so far as this depends on short-term lending. But the technical mechanism of the Fund is of no mean importance in facilitating the reconstruction of the whole network of international lending. Small credits to France and the Netherlands have already proved useful, and in September 1947 the Fund purchased sterling from the United Kingdom in the amount of 60 million dollars, but large-scale "stabilization loans" are not provided for under its Articles of Agreement. Chancellor Dalton, on behalf of Great Britain, put before the joint meeting of the Boards of the Fund and the Bank in September 1947 a proposal for a reinterpretation and modification of these Articles to provide for such loans, but no affirmative action has been taken. The importance of this proposal is indicated by the inclusion in the report of the Co-operation Committee of a possible need for "supplementary assistance" for currency stabilization amounting to 3 billion dollars.

38. Such loans may be possible under a liberal interpretation of the Articles of Agreement of the International Bank, but the Bank is essentially a long-term lender, and is bound by its Articles of Agreement to give "equitable consideration to projects for development and to projects for reconstruction alike." 10/ The guiding principles of its policy, as stated in its Second Annual Report, are (1) that its funds must be used chiefly to finance programs or projects that will eliminate bottlenecks to production or generate increases in production of related goods or in related areas, or otherwise give effective stimulation to the revival or development of industry and agriculture; (2) that the Bank should encourage necessary action by its member governments to assure that its loans will actually prove productive; and (3) that the Bank should take advantage of its international co-operative character to initiate and develop plans to the end that its resources are used not only prudently from the standpoint of its investments but wisely from the standpoint of the world. The three loans that the Bank has already granted to France (250 million dollars), to Denmark (40 million dollars), and to the Netherlands (195 million dollars) have been strictly in accordance with these criteria.

39. The Bank is severely limited in the scale of its operations by the two following circumstances: that of its 8 billion dollars authorized subscriptions only 20 per cent is paid-in capital, while the remaining 80 per cent is in the form of a guarantee fund available only to meet the obligations of the Bank; and that the member governments exercise a rigid control over the Bank's operations in their markets. Of the 20 per cent paid-in capital only 2 per cent can be lent without the consent of the subscribing member governments, and the Bank cannot raise any funds in the markets of a member without its consent. The United States government has authorized the Bank to lend the whole of the paid-in subscription of the United States and to raise 250 million dollars in the American market. In addition the Bank is free to lend that part of its paid-in capital received from other countries in gold, or about 96 million dollars. The resulting direct lending power of the Bank in dollars is about 980 millions, but the actual amount lent will depend in part on the policy of the Bank with respect to its reserves.

40. Of the total United States subscription of 3.175 billions there remained 2.29 billions on June 30, 1947 still available to guarantee such further obligations as the Bank might be permitted to assume. This figure has special significance for the scale of operations that may be developed by the Bank in the near future. Although the confidence of American investors in the Bank's securities must, as stated in.its report, rest primarily on the soundness of its portfolio, the guarantee of the United States government standing behind the Bank's dollar obligations will powerfully affect their marketability. The Bank is currently in active discussion with France regarding a second 250 million dollar loan and has strongly indicated its interest in helping to finance increases in German coal production. Moreover, the report of the Co-operation Committee estimates that over the next four years over 3 billion dollars of the total trade deficit of the participating countries will be for productive equipment of a type that might properly be financed by the Bank. This suggests a scale of operations that might bring the Bank's dollar obligation close to the limit where the United States government guarantee would be fully committed.

F. THE NATURE OF THE EUROPEAN PROBLEM

41. As early as March 1947 it became clear to American officials that the burden of financing would be far greater than had been expected at the beginning of the year, and that the prospective exhaustion of dollar resources available to many European countries and to some outside of Europe would necessitate some sort of reformulation of American policy on assistance to Europe. On June 5, 1947 Secretary of State Marshall stated that the United States could not proceed much further in its efforts to alleviate the situation unless there were agreements among the countries of Europe on their requirements and on the steps those countries themselves would take in order to give proper effect to whatever action might be undertaken by the United States government; and that in drawing up these requirements a program should be developed with the friendly aid of the United States, but on European initiative, in which many, if not all, European governments should participate. In making these proposals Secretary Marshall stated 11/

that the visible destruction in Europe resulting from the war was "probably less serious than the dislocation of the entire fabric of European economy." He drew the inevitable conclusion that unless Europe received substantial additional help--principally from the United States--there would ensue "economic, social and political deterioration of a very grave character."

42. As was indicated in the Secretary's statement, the first step is to define the area in Europe to which assistance is to be given. This is mainly a matter for the Europeans themselves, and it is essentially a political problem, as can be seen most clearly in considering how to incorporate Germany and Austria in a plan for European revival. The key to the solution of this political problem is the Soviet Union. Its decision not to co-operate in formulating proposals is not necessarily a major obstacle to recovery in Europe if it merely leaves the Soviet Union as economically detached as it was before the war. But if Soviet influence is exercised to exclude the satellite and former enemy states, the consequences may be more serious. The complementary trading relationships between Eastern and Western Europe were significant in prewar intra-European trade, and the continued semi-isolation of Eastern Europe would be a serious handicap. The report of the Co-operation Committee estimates that more than one quarter of the import requirements of the sixteen countries from the American continent at the beginning of 1948 are attributable to the loss of supplies from non-American sources, mainly Eastern Europe and the Soviet Union. It develops this point as follows (paragraph 118):

> "...the participating countries cannot rely upon supplies from the Danubian granary, and a very little is now coming westward from there. The western zones of Germany are unable to draw from their natural source of supply, eastern Germany, and the result is that western Germany now emerges as a large food importer; not only is the population of western Germany one-sixth above pre-war, but it must also seek entirely new sources of food supply." 12/

In addition the report stresses the serious effects of the shutting off of Western Europe's normal timber supply from the east. The distortion of the trade relationships of Western Europe caused by the drawing of an economic line through the heart of Europe is compounded by the general and radical change in Germany's role in international trade. Although the countries of Eastern Europe played no important part in the complex pattern of trade balances between Europe and other continents, Germany accounted for about one third of Europe's net imports from other continents in 1928, while it had export balances to almost all European countries. Hence the importance attaching to the incorporation of Germany in whatever plans are made for European reconstruction. This is true despite the shift to the east that has occurred in European industry as a result of the war, which, even if no other reasons existed, would make a return to the 1928 patterns impossible.

43. Europe's problem has been dramatized by calling it a dollar problem, but this is misleading. There is a sterling problem, as the scale of postwar British lending proves, and there are also Canadian dollar, South African pound, Swiss franc, and other scarce currency problems. At

bottom, the problem is one of production, and all European countries need a breathing space while their productive systems and the trading relations between them are being rebuilt. They can help one another by restoring intra-European lending and trading, but they also need outside assistance in the process of rebuilding. Their problems are still further complicated because reconstruction is inextricably mixed with development. While it would be folly to ignore completely the desirability of development in restoring European economies because of the waste of resources that might thereby occur, European countries must in general curb their impatience for development and concentrate on the satisfaction of urgent needs by whatever rough tests of urgency can be devised. In England, where reconstruction is well advanced, scarcity of capital is already drawing attention to this need for restricting the pace of planned development.

44. This raises the question of how much "planning" is necessary or desirable to satisfy the American request for an agreed program for Europe. There exists already a framework of short-term bilateral commercial and financial agreements. Excluding the British monetary and trading agreements, well over a hundred such agreements have been made between all parts of Europe, including the Soviet Union, mostly as emergency measures for promoting trade in the unstable postwar conditions. These agreements have played a part in the provision of self-help in Europe. It has been suggested that the extension and continuation of such bilateral agreements for a limited period would be insufficient in concerting action for reconstruction, and that an all-European customs union, or an approach to it in some multilateral scheme, would be necessary to the working out of an orderly plan of reconstruction for Europe as a whole. Apart from the general difficulties in customs unions, the suggestion encounters two major difficulties, which appear to eliminate it from realistic consideration: first, the existing breach between Eastern and Western Europe, as evidenced by the series of special trade arrangements recently concluded under Soviet influence between Eastern European countries and by the refusal of these countries to co-operate in the work of the Paris Conference; and second, the peculiar difficulties of bringing Great Britain into a European customs union resulting from the special trade relationships existing within the British Commonwealth. Experience furthermore demonstrates the inherent difficulties of negotiating a customs union. It requires not only a common tariff against outside countries and the elimination of tariffs between the members, but also a common monetary, price, and wage policy and other measures of economic co-ordination that amount almost to a common sovereignty in economic matters. This has been exemplified by difficulties encountered in the completion of the Belgium, Luxembourg, Netherlands (Benelux) customs union, which are now being overcome only after arduous negotiations. A customs union or unions with more limited membership, for example, one between France and Italy or between these countries and the Benelux group might, however, prove feasible, given time and good will on all sides. Even these would involve time-consuming negotiations and the institution of preferential trade arrangements far short of a complete union for a considerable period of time. This might prove disruptive of good trading relations with other countries.

45. Both France and Italy have indicated officially in the report of the Co-operation Committee (paragraphs 98 and 99) that they are prepared to discuss the formation of a customs union with any countries the

economies of which are capable of being combined with theirs to make a viable unit. If this qualification should be interpreted to mean that only countries with noncompetitive economies can be combined in "a viable unit," these discussions would not contribute substantially to greater economic unity in Europe, because trade barriers between such countries would be of relatively small importance. Nevertheless a study group is to be set up to report to governments on the feasibility of a Franco-Italian customs union, and Greece and Turkey have undertaken to examine a project for some sort of regional economic union. More generally, under the sponsorship of the Benelux group, thirteen of the sixteen governments participating in the Co-operation Committee's work have formed a study group to go into the whole question of a European customs union.

46. Another approach to the problem of using European resources effectively for the satisfaction of the needs of the continent as a whole is through direct co-ordinated economic planning. In several European countries, national economic plans have been developed, at least on paper, in very considerable detail. Among the countries of Western Europe France, for example, has its Monnet plan for four years of intensive modernization, and the Netherlands has gone very far in the direction of a government-planned and directed recovery program. In Eastern Europe, Yugoslavia has a "five-year plan" on the Russian model and Bulgaria, Hungary, and Rumania have followed suit. Czechoslovakia, which in some respects stands between the two groups into which Europe is now divided, suffered little war damage and has made a moderately good recovery, and it is content with a two-year plan. Even in the absence of a political and economic split, to "harmonize" all of these plans with their different aims within the confines of one vast European master plan would be a gigantic task of regimentation. It is, moreover, an open question whether a point may not be reached at which the development and enforcement of detailed economic plans creates its own difficulties, and in solving some recovery problems creates others that may be even more serious. Planning for Europe on an ambitious scale might give impetus to the future regulation of industry by the state and deal a blow to the revival of private enterprise, which would be contrary to declared American policy and likely to impede European recovery. The example of Germany--and to a lesser extent France--where individual businesses are fighting a Papierkrieg in the struggle against officialdom is a warning against the dangers of an excess of administrative control.

47. The alternative to such ambitious planning is to identify "key" needs for materials and equipment of each country and estimate the probable extra-European assistance required to satisfy them. This was the approach of the Economic Commission for Europe (ECE) of the United Nations in considering measures to facilitate economic reconstruction, including the continuation of the work accomplished by the Emergency Economic Committee for Europe (EECE), the European Coal Organization (ECO), and the European Central Inland Transport Organization (ECITO) when these bodies are dissolved. ECE took the view that the solutions of individual problems could be co-ordinated in the light of any agreed over-all policies, and that solutions that might be prejudicial to the longer-range interests of the European economy as a whole should be avoided. Its preliminary report concentrated on electric power, food, a short list of industrial materials, especially timber, alkalis, and nitrogen, and the housing problem, in

addition to coal and transport. The same method was used in the United Nations' earlier investigation of the relief and reconstruction import requirements of the devastated areas, and it has been employed in working out the details of the four-year production and import programs presented by the Co-operation Committee. In planning the four-year production efforts of its members, the Committee "concentrated its examination upon food and agriculture, fuel and power, steel, timber and transport, together with related industries such as agricultural and mining machinery as well as the general problem of labor" with a view to providing for the needs of a population that is expected in 1951 to be 11 per cent greater than prewar. The results hoped for from the national programs are stated as follows (paragraph 35):

> "I. Restoration of pre-war bread grain and other cereal production, with large increases above pre-war in sugar and potatoes, some increases in oils and fats, and as fast an expansion in livestock products as supplies of feeding stuffs will allow.
>
> "II. Increase of coal output to 584,000,000 tons, i.e., 145,000,000 tons above the 1947 level (an increase of one-third) and 30,000,000 tons above the 1938 level.
>
> "III. Expansion of electricity output by nearly 70,000,000,000 kilowatt hours, or 40 per cent above 1947 and a growth of generating capacity by over 25,000,000 kilowatts, or two-thirds above pre-war.
>
> "IV. Development of oil-refining capacity in terms of crude oil throughout by 70,000,000 tons to two and a half times the pre-war level.
>
> "V. Increase of crude steel production by 80 per cent above 1947 to a level of 55,000,000 tons, or 10,000,000 tons (20 per cent) above 1938.
>
> "VI. Expansion of inland transport facilities to carry a 25 per cent greater load in 1951 than in 1938.
>
> "VII. Restoration of pre-war merchant fleets of the participating countries by 1951.
>
> "VIII. Supply from European production of most of the capital equipment needed for these expansions." 13/

In examining this program the United States government is confronted in concrete form with the problem of how far American assistance should be extended for development as well as reconstruction. In the view of the Co-operation Committee substantial increases in productive capacity above the prewar level and modernization of key industries are essential to provide a self-sustaining Western European economy in 1951 with a standard of consumption no higher than the prewar period. The testing of this hypothesis is perhaps the most difficult and intricate of the purely economic problems presented by the report.

48. The selective "key products" approach adopted by the Co-operation Committee does not eliminate the need for some "harmonization" of national economic recovery plans. The problems involved have, from the moment that European countries began to work out a common approach as a basis for further United States assistance, imposed a very severe test on their capacity for concerted action. In the report of the Co-operation Committee this has taken the form of a series of projects for the common planning in a few critical fields that are a constructive beginning along the pattern of a more rational use of European resources to meet Europe's needs. A broader concept of co-operative planning is required, however, to bring the demands of each country in need of assistance, either from the resources of other European countries or from outside, into relation with the requirements of other countries. The rough estimates of the residual foreign exchange requirements which the Co-operation Committee has presented after a maximum of European self-help has been allowed for, are the products of such planning. The Co-operation Committee recognized, however, that this is not enough and has agreed to set up a joint organization charged with the task of reviewing progress made in the execution of the general recovery program (paragraph 113). Although examination of the report may disclose inadequacies in co-operative programming, and although the reviewing body may be felt to lack the requisite authority, the general principles adopted are in harmony with the advice given to the Co-operation Committee by representatives of the United States.

49. However it is approached, any program for European recovery involves both a supply and a financial problem. In many respects these are quite distinct. European self-help comprises what these countries can supply each other without "uneconomically" diverting exports that in all the circumstances ought to go to other continents, and what financial assistance some can give to others. Outside aid has also these two aspects. Financial assistance to Europe would enable some countries to extend the financial side of self-help, thereby releasing an all-round expansionary influence on production. In the absence of this financial self-help, there would be the danger of a contractionist influence ensuing from a nervous tendency to restrict imports, because exports were being sold on credit terms and therefore for the time being were not a means of paying for current imports or of replenishing foreign exchange reserves. And outside aid would also have to take account of the possible need of mobilizing materials or equipment in scarce supply for export to Europe.

50. The ramifications of the relations between finance and supply are almost endless. Outside financial assistance may be necessary in such countries as France to stabilize the currency at a realistic foreign exchange value. Stabilization, and restoration of confidence in the currency that goes with it, is essential to a smooth flow of goods, especially between the industrial and agricultural sectors of the economy. The processes of domestic capital formation and investment will not be restarted in any country before the currency is soundly based, and yet a large, if not the major, portion of capital for reconstruction, especially in the final stages, must come from domestic sources in most countries. The importance of this factor is fully recognized in the report of the Co-operation Committee. Finally, American financial assistance must take account of the desirability of harnessing non-American production in providing supplies for Europe

instead of concentrating all demands immediately on the American economy. This involves the question of tied loans, and it also relates to the problem of developing, simultaneously with European reconstruction, the network of world trade in which Europe is being reintegrated.

51. These problems have all been intensified in 1947 by the check to the general progress of European recovery caused by the effects of the severe cold of the winter of 1946-47 followed by prolonged drought in many parts of Europe. As a result, food both for human beings and animals has become perhaps the most immediately critical problem. The European food shortage is itself only part of a world shortage, and the consequent rise in prices has intensified the foreign exchange problems of Western Europe. Moreover, it has contributed to inflation. Many European governments have attempted to collect grain and other foodstuffs from farmers at fixed prices. In many cases these collection programs have involved inflationary expenditures for subsidies without being effective in preventing the hoarding of produce by the farm population, the wasteful conversion of grains into animal products, and the often serious evils of widespread individual barter transactions between the city population and the countryside. Underlying these difficulties in agriculture, have been basic problems involving shortages of nitrogen fertilizer, machinery, and other forms of agricultural capital whose production is dependent basically upon supplies of coal. The intimate connection between inadequate supplies of food and coal is one of the many vicious circles with which the European economy is confronted. Another is that between coal and timber in which inadequate timber supplies make it impossible to get essential pit-props for the mines and housing for the miners, while inadequate coal forces the use of timber for fuel and prevents improvement in essential transportation.

52. By common consent coal is the outstanding key commodity in Europe's problem. Food will continue to be a very serious problem this year and the special problem of food as an incentive to coal production is acute in certain areas, but coal itself remains a fundamental deficiency. The United States is the only outside source of supply and both production and transportation limit the amount that can be shipped. Coal affects supplies of fertilizer and therefore food; it affects steel, electric power, transportation, and nearly every basic industry. The importance of coal intensifies the problem of fitting Germany into the European economy, since the Ruhr is the main source of supply. This is also one of the cases where the man-power problem is significant. Prisoners of war, displaced persons, and the general question of immigration policy are all involved in this problem. The report of the Co-operation Committee has given it a high priority (paragraph 33), and has stressed the advantages of reaching agreements whereby the man-power shortages of other European countries might be reduced by suitable arrangements with Italy, which alone has a man-power surplus (paragraph 63).

53. Three special problems arise in the field of transportation. In the first place the present concentration of merchant shipping under United States ownership with consequent high freight rates based on high operating costs not only involves European countries in a serious drain on their scarce dollar resources, but increases the urge to build new ships to

escape the burden as well as to obtain new foreign exchange assets. The report of the Co-operation Committee contemplates the restoration of prewar merchant fleets by 1951. The achievement of this aim might be facilitated by a more liberal policy in disposing of American ships, which might also diminish the pressure of demand on scarce steel for shipbuilding with a consequent release of steel for other parts of the program. In the second place European transport difficulties are greatly increased by an array of administrative and financial difficulties relating, inter alia, to the exchange and return of freight cars, the remittance of freight charges between countries without established exchange rates, the diversion of traffic by the occupation authorities to German rather than Belgian and Dutch ports, and deficiencies in road and river transport. As obstacles to recovery, these are serious and stubborn and require solutions involving the highest degree of co-operation between all the countries involved and the occupation authorities in Germany. Finally, the failure thus far to work out any program whereby effective use of the Rhine and other German waterways can be achieved, and the complete inability of the United States and Western European countries to induce the Soviet Union to open the Danube to through traffic seriously retard general European recovery.

54. In recognition of the key importance of Germany in the European recovery problem, several important steps have been taken in recent months by the United States government, in consultation with Great Britain and France, to solve certain critical problems of long standing. In co-operation with the British, a system of incentives in the form of improved food, housing, and consumer goods for Ruhr miners in exchange for greater output has been worked out and has already yielded substantial results. Agreement has also been reached with the United Kingdom on new arrangements for the management of the Ruhr coal mining industry and further improvement of its technical efficiency in various ways. In addition, after consultation with the French, a new permitted level of industry for the joint British and American zones has been proclaimed providing for an increase of about 30 per cent in industrial capacity. In announcing the new decision the British, French, and American delegations agreed "that the measures about to be taken ... do not prejudge quadripartite decisions of the Council of Foreign Ministers in respect to the level of industry for Germany as a whole or such industrial limitations as may be imposed by the peace settlements." 14/ In making allowances in its general plan for the contribution of increased steel production in Western Germany, the Co-operation Committee has consequently stressed the possibility of new decisions for Germany as a whole, involving Russian assent, as a factor introducing an element of uncertainty into this part of the program (paragraph 54).

55. Though these steps are of great importance they leave many unsettled problems in Germany, which may directly affect the pace of the European recovery program. Reparation policy still remains to be finally determined, and the nature of Allied control over Germany affects the proposals for recovery as a whole. Regimentation, the American drive against the cartel and combination structure of German industry, the British preference for socializing industry--all these are impediments to the development of enterprise in Germany, and they strengthen the tendency to dirigisme or étatisme in Europe as a whole. Failure to establish a rate of exchange

for the reichsmark and the multiplication of formalities that businessmen must undergo in order to trade with Germany are obstructing the revival of trade between Germany and its normal trading partners, in particular Belgium and the Netherlands.

56. The Co-operation Committee has stressed in its report (paragraph 29) one general feature of the European recovery problem that has a special bearing on the question of the timing and character of American assistance. This is the cumulative nature both of deterioration and improvement in an economy so interdependent and specialized in its several parts as that of Western Europe. The halt in the progress of recovery since the first part of 1947 has already set in motion a series of defensive actions by individual countries requiring counter measures by other countries. Experience in the 1930's shows how great can be the force of such a downward and cumulative spread of measures of economic self-protection. The Co-operation Committee stresses the belief that if outside assistance and measures of mutual self-help could check this tendency an opposite tendency towards a cumulative process of recovery, spreading from one part of the European economy to others, could be set in motion. It is a basic assumption of the report that without outside assistance that is neither too late nor too little this will not be possible. The accentuation of the crisis within the past half year therefore raises for the United States government a serious problem of timing. The possibility that delay may result in increasing the overall, long-run requirements of a satisfactory recovery program must be weighed against the disadvantages of action without adequate consideration.

G. UNITED STATES ACTION TO MEET THE EUROPEAN EMERGENCY OF 1947

57. On June 22, 1947 President Truman appointed two government committees and one committee of citizens (the so-called Harriman Committee) to study the impact on the American economy of United States assistance to foreign countries. Upon receipt of the report of the Co-operation Committee, he asked these committees and other government agencies to appraise the report in the light of the studies they had made, with a view to submission of their findings both to the President and to the Congress. With these appraisals in hand further consultation with representatives of the Co-operation Committee was arranged, as a necessary preliminary to the formulation of specific recommendations to be made by the Executive to the Congress. Meanwhile, on July 30, 1947 a special House Committee on Economic Aid (the so-called Herter Committee) was appointed by the Speaker and this committee as well as many other members of Congress went to Europe to investigate various aspects of the problem. The reports both official and personal from the committees and their members, together with the President's recommendations, were to place the appropriate committees of Congress in a position to draft legislation for discussion and enactment by the Congress in its regular session of January 1948.

58. Events, however, did not wait upon this orderly procedure of American government. Before the Committee of Economic Co-operation had completed its report it became evident to the United States government that the situation in Europe had deteriorated so rapidly that some form of aid would have to be provided before action could be taken by Congress on the Marshall plan. On September 10 the Secretary of State made the following statement at a press conference:

> "The nature of the long-term problem of European reconstruction and our attitude toward it remain unchanged. But the short-term problem has become more immediate. Bad droughts, following an unusually severe winter, increasing crop shortages, and restrictive financial measures which certain European governments have already been obliged to take, have had serious repercussions and have accelerated the need of some European countries for assistance in reducing hunger and cold this winter.
>
> "In these circumstances this phase of the requirements will clearly have to be given our urgent consideration and cannot await the completion of the broader study which the over-all program demands." 15/

On September 29 the President met with congressional leaders to discuss possible emergency action. He requested that the foreign affairs and appropriations committees of both houses of Congress be called at an early date to consider what action could be taken, and the meetings were arranged for November. At the conclusion of his conference with congressional leaders, the President stated that $580,000,000 would be needed between then and March 31, 1948 to aid France, Italy, and Austria which, he said, were confronted with starvation during the coming winter. He estimated that the funds available to the Executive for aiding Europe on an emergency basis were only adequate to meet the problem until December 1. He pointed out that the funds of the Export-Import Bank and the Commodity Credit Corporation could not be used for relief. A later estimate made by the Under-Secretary of State, and which included other countries, placed the emergency need at 800 million dollars.

59. The financial problem stressed by the President was only one aspect of the emergency problem. As a result of damage to the American corn crop, the sustained pressure of American demand, and the additional purchases of the Department of Agriculture to fill its export commitments, the prices of wheat, corn, and other grains, and of meats and poultry products had risen in some cases to record heights. The President, therefore, asked a Cabinet committee consisting of the Secretaries of State, Agriculture, and Commerce, and the Food Sub-Committee of the Citizens Committee (Harriman Committee) to report on the capacity of the United States to export grains to meet the emergency. The estimates of these two committees differed by 100,000,000 bushels.

60. The situation disclosed by the Harriman Committee report was that world requirements for grain during the 1947-48 season could not be met without the export from the United States of a larger tonnage than was exported in the 1946-47 crop-year, but that the decline in this year's total United States grain crop below that of the previous year was about equal to the total of all grain exports from the United States in the crop-year ending June 30, 1947. The difficulty of meeting the deficiencies of other countries in these circumstances was likely to be increased as more and more of the American wheat supply was acquired for eventual consumption by livestock. The Harriman Committee therefore considered the immediate formulation of a firm export program as essential.

61. The committee also pointed out that the urgency of the foreign need was to be found primarily in the great decline in the number of calories per person per day being provided for the nonfarm populations in Austria, Germany, Greece, Italy, and France. It indicated that there was one source from which additional supplies might be obtained other than from the United States to meet the deficit, namely, the Argentine, but it concluded that even without this additional supply, Europe's minimum needs could be met by an export of 500,000,000 bushels of wheat from this year's American crop. Measured in physical terms such exports would not, in the committee's opinion, impose any really serious sacrifices on the American people. The real difficulties were to be found in the diversion of wheat to feed livestock and in the actual process of procurement. On this point the committee said:

> "If the European need is to be met, it is essential (1) to lessen the disappearance of wheat for livestock feed, (2) to acquire it for export (or subsequent resale in this country if serious need develops or the winter wheat crop fails) before the supply passes into hands from which it will not easily be drawn. If prices of eggs and poultry, dairy products and meat continue high, and if demand for these products continues strong, and if the price of corn remains high compared with that of wheat, the amount of wheat fed to livestock may exceed 400,000,000 bushels." 16/ .

This figure would make it almost impossible to meet the export requirements.

62. The Harriman Committee stated the critical issue confronting the United States government as a result of the situation in the following terms:

> "A policy decision needs to be made as to which horn of the dilemma to seize; whether it is better policy to make sure of getting the wheat at the risk of pushing wheat prices higher through more aggressive buying, or to buy wheat cautiously, on market breaks, at the risk of obtaining for export considerably less than will be needed to meet minimum requirements in overseas areas of special importance to the United States." 17/

In order to alleviate the situation the committee recommended a voluntary self-rationing plan by the American consumer, higher margins in the commodity exchanges, pressure on the Argentine government to make more wheat available on reasonable terms, some diversion of wheat exports from countries other than Western Europe and the occupied areas of the Orient, and early shipment abroad of an additional tonnage of nitrogen. The committee did not recommend immediate rationing on the ground that this could not be made effective in time to affect the immediate emergency.

63. Acting on these recommendations, the President announced on October 5 a comprehensive voluntary grain-saving plan for the United States and the requested imposition of 33 1/3 per cent margin on the commodity exchanges.

Footnotes

1/ The Department of State Bulletin, Vol. XVI, No. 416 (June 15, 1947), p. 1160.

2/ Committee of European Economic Co-operation, General Report, Volume I, Department of State Publication 2930, European Series 22, p. 2.

3/ New York Times, Sept. 1, 1947.

4/ The Bretton Woods Agreement Act, 59 Stat. 512; 22 U.S.C. 286b.

5/ The Department of State Bulletin, Vol. XIV, No. 349 (March 10, 1946), p. 381.

6/ The Department of State Bulletin, Vol. XV, No. 389 (Dec. 15, 1946), p. 1108.

7/ Foreign Commerce Weekly, Vol. XXVIII, No. 9 (Aug. 30, 1947), pp. 8-9.

8/ Monthly Review of the Federal Reserve Bank of New York, Vol. 29, No. 9 (Sept. 1947), p. 94.

9/ The same, p. 94.

10/ Article III, Section 1(a), Articles of Agreement for the International Bank for Reconstruction and Development, Department of State Publication 2511, p. 5.

11/ The Department of State Bulletin, Vol. XVI, No. 416 (June 15, 1947), p. 1160.

12/ Committee of European Economic Co-operation, General Report, Volume I, pp. 42-43.

13/ The same, pp. 14-15.

14/ The Department of State Bulletin, Vol. XVII, No. 427 (Sept. 7, 1947), p. 467.

15/ New York Times, Sept. 9, 1947.

16/ The Department of State Bulletin, Vol. XVII, No. 431 (Oct. 5, 1947), p. 695.

17/ The same, p. 695.

PROBLEM PAPER "B"

AMERICAN ASSISTANCE TO EUROPE

MEMORANDUM ON THE ISSUES AND ALTERNATIVES

1. The particular form in which the Report of the Committee of European Co-operation has been drawn up for presentation to the Secretary of State, the emphasis of the Soviet Union on the Marshall plan as one of the main targets in its general attack on United States policies, and the recent accentuation of the over-all world food shortage, have made it necessary for the United States government to make certain basic decisions of policy and action with reference to further assistance to Europe.

2. Although these decisions are all interrelated they are not all of the same kind. Some relate to the general purposes of the United States in giving long-run assistance to Western Europe for economic rehabilitation and reconstruction and to the adequacy of the proposals made to give effect to these purposes; some relate to action affecting other countries in connection with the program of assistance to Western Europe; while some relate to the new set of relationships to be established between the United States and the countries receiving assistance. In addition important decisions must be taken on the administration of the long-run program, and on the immediate steps that are necessary to prevent a rapid deterioration of the economic and political situation in certain Western European countries before they can be helped under its terms. Although action to meet the immediate emergency presents the most urgently pressing problems of policy determination, it is in the highest degree important that it should be of a kind that will not prejudice, but rather facilitate the long-range program.

A. BASIC UNITED STATES POLICY ON ASSISTANCE TO EUROPE

3. The criteria of judgment employed by the United States government in making many of these decisions will depend on how much it considers that its freedom of action in approaching the European assistance problem has been limited by the chain of events leading up to and following Secretary Marshall's proposal of June 1947. The great expectations that have been aroused in Europe, combined with the opposition of the Soviet Union to the conception of an integrated European recovery program based on American aid, have created implied commitments of the highest order of economic and political importance. Yet there are many serious obstacles to the successful negotiation of such a plan. As these obstacles are encountered it is important that the United States negotiators should be clear on the consequences of failure to reach agreement. The first major issue to be decided, therefore is one of basic approach:

> Should the United States government consider agreement on an acceptable European recovery plan as a _sine qua non_ of further large scale American assistance or should it regard this as a preferred solution only?

This issue is fundamental and concerns the whole position and function of the Marshall plan in the evolution of over-all American foreign policy.

4. The first of the possible alternative courses of action is:

> To conduct the negotiations on the report of the Co-operation Committee on the assumption that agreement on a joint plan is essential to continued American action to alleviate the situation in Western Europe.

If this attitude were adopted the consequences of failure to agree might be grave. In that event a long step would be taken in eliminating American influence in Europe, which is one of the major postwar objectives of Soviet foreign policy. The Truman Doctrine would be seriously, if not fatally, compromised. The prospects of establishing a non-discriminatory multilateral trading system under the International Trade Organization would be reduced to the vanishing point. The difficulties of reintegrating Germany into the European and world economies would be intensified. And solutions of the "dollar shortage" problem might be adopted by European and other countries that would be most unfavorable not only to American exports but to the future development of the whole American economy. In short there would be serious risk of cutting the ground from under the American postwar foreign policy as a whole. It is clear that this outcome would not be in the interest of the United States, whatever the apparent advantages might be in the form of relief to the American taxpayer, avoidance of inflationary pressures, and disentanglement from the affairs of Europe. If for these reasons this alternative is rejected several other courses of action are open for consideration. In choosing between them the time factor is important since even a temporary deadlock in the negotiations might bring about some of these undesirable results simply because the external reserves of the countries seeking assistance were becoming exhausted.

5. There appear to be three alternatives if there is a deadlock in the negotiations and agreement on a plan is not treated as a sine qua non of further assistance:

1. To suspend negotiations temporarily in the hope of reaching agreement later, and to proceed for the time being on the basis of separate aid of an essentially relief character to individual countries.

2. To abandon the negotiations and to transfer the problem to the United Nations in the hope of working out some satisfactory plan for Europe in whole or in part, and in the meanwhile to confine American assistance to individual countries to essentially relief supplies.

3. To abandon all attempts to work out an integrated program and to revert to the ad hoc country by country approach that preceded Secretary Marshall's proposal.

6. The relative advantages and disadvantages of these alternatives would depend to a large extent on the reasons leading to a deadlock. If this

were the result of divergences of view relating primarily to the over-all dollar magnitude of the necessary assistance, to the time required in restoring productive facilities, and to the types and sources of supply of commodities to be included in the plan, the first alternative might be the appropriate choice. If it were the consequence of disagreement on the use of American assistance to promote Western European trade with the Soviet Union and countries in its orbit; on the use of German production to pay reparation to the Soviet Union, Poland, and Yugoslavia; on the role of the Soviet Union in the management and control of the Ruhr; and in general on the unwillingness of Western European countries to give guarantees or take measures deemed essential by the United States because of fears of an irrevocable split between Eastern and Western Europe, then the choice would seem to lie between the second and the third alternatives. If, however, the deadlock should occur because of differences of opinion on the basic principles of the recovery program, the third alternative might be the only available one. These differences might have a strong political flavor, as would be the case if the United States attempted to resist measures of state control that had a strong impact on external trading relations or, in general, to break the trend of socialization in Europe. On the European side, there might be reluctance to accept the need for domestic economic reforms that were politically unpalatable; to accept political, territorial, or economic arrangements in Germany deemed essential by the United States to the success of the plan; or to take calculable risks in opening up the European economy to world trade without prior assurances of assistance that would be politically impossible in the United States.

7. Once the fundamental issue of its basic approach to the whole problem is decided, the United States government must consider the extent of its commitment to the objectives and assumptions of the Co-operation Committee report. On September 26, 1947, the President noted that the document is described by the Committee itself as an"initial report" subject to review and revision, and he referred to its preparation as an "important and encouraging first step." He stated that the report would be studied by special committees and government agencies and that their appraisal, with recommendations based on it, would be presented to the Congress for consideration. 1/ The President's statement indicated that the review and revision to be undertaken would be directed more to the application of the principles of the report than to the principles themselves. These he endorsed in the following words:

> "I note that the program presented in the report is based on the four following lines of action by the 16 European nations: (1) A strong productive effort; (2) the creation of internal financial stability; (3) maximum co-operation among the participating countries; and (4) solution to the trading deficit with the American continent, particularly by exports. These are sound principles and will appeal to the common sense of the American people. Their effective translation into practice is vital both to European recovery and to world-wide economic health." 2/

8. Though the President's statement approves the principles of the report only in the broadest terms, American officials and diplomatic

representatives influenced its final drafting to such an extent that its publication was delayed for a week to take account of American views. Under these circumstances another issue arises:

> Is the United States government committed to accept the principles, objectives, and assumptions of the report as an agreed basis for negotiation?

9. In a formal sense, the report of the Co-operation Committee is not an agreed basis for negotiation, but the attitude taken by all the participants in the negotiations on the substance of this question might have far-reaching consequences.

10. The first alternative for the United States is:

> To negotiate strictly within the framework of the report and to concentrate on "the effective translation of its principles into action." 3/

By doing so it would reduce the possible area of disagreement, fulfill the implied commitments made when the report was revised to take care of American advice and objections, and recognize the interdependence of all the different parts of the program that is stressed in paragraph 64 of the report. It might, however, find itself committed to underwrite a development program rather than one for minimum reconstruction, and therefore committed to larger drafts on American resources and finance than it thought justifiable. It might find that its freedom of action in the further development of American policy towards Eastern Europe and the Soviet Union had been limited in some respects. Moreover, it would not be in a good position to work out a compromise program acceptable to important segments of American public opinion that favor a policy of limited commitments.

11. The other alternative for the United States is:

> To attempt to bring about such a radical revision as to alter the general character of the report.

The basis for this approach would be the preliminary nature of the report and the fact that the United States can be definitely committed on the assistance program only by Congress. Negotiations carried out on this basis would permit more stress to be laid on the limitations of American capacity to give assistance without unfavorable domestic consequences. They might drastically reduce the amount of assistance contemplated, and bring political support to the program from sources at present either indifferent or hostile. They might, however, in the final outcome, result in American assistance that would prove to be too little or too late. The present exceptional opportunity to develop "unprecedented" measures of European economic co-operation might be lost, and the political influence of the Soviet Union in Europe might be greatly extended.

B. OVER-ALL ECONOMIC AND POLITICAL ADEQUACY OF THE REPORT

12. The report of the Co-operation Committee states in the following general terms the results expected to be achieved by the production

and import programs and the measures of intra-European economic co-operation that it proposes:

> "...the realisation of the four-year programme will restore the pre-war level of agricultural production in the participating countries as a whole and will exceed it in coal, steel and manufacturing industry generally. The scale of this effort will not only solve the immediate production problem but will also provide the basis for a further raising of European production in the following years to levels never before contemplated in Europe. This is the foundation for a sound and workable European economy which can once again play its full part within the wider framework of world trade." 4/

The report estimates, however, that successful execution of the program would still leave per capita consumption of bread grains, potatoes, sugar, meat, fats, and cereals of the participating countries at a lower level than prewar. It further estimates that at the end of 1951 the participating countries would have a trade deficit with the American continent, which would be small enough to be manageable without special aid if they were able to use their expected surpluses with non-American countries to cover the deficit. There are several features of the estimate of these end results that require decisions by the United States government. In general, the issue is:

> Should the United States government regard these end results, if achieved, as an adequate fulfillment of its own objectives in rendering the assistance contemplated in the plan?

13. In its detailed examination of the composition and amount of assistance required and its adequacy for the purposes laid down, the United States government will necessarily be influenced by the extent of its agreement with the estimates in the report of conditions that it is hoped to establish by the end of 1951. Broadly, there are three attitudes that it might take on purely economic grounds. The first alternative is:

> To insist on a redrafting of the program with a view to getting better assurance that at the end of the four year period the participating countries will actually dispense with emergency measures such as drastic import priorities, bilateral trade agreements designed to secure goods in short supply, rigid exchange controls, rationing of basic necessities, and discriminatory trading methods in general, and in addition, that there will be no prospective dollar trade deficit after 1951.

To adopt this alternative would be to attempt to transform the expressions of good intent with respect to commercial policy, currency convertibility, and currency stabilization contained in the report into some more binding form of commitment. The advantages of adopting this attitude would be to guarantee, as far as possible, the achievement in Western Europe of all the objectives of the United States in economic foreign policy. Since this could not be done without assurance that the contemplated contribution of Germany to the European recovery effort would be forthcoming and without effective measures to restore the multilateral character of trade outside of Europe it might have the further advantage of increasing the pressure to find a solution of these problems. It is quite possible, however, that such an attitude on the part of the United States might result in guarantees being given that could not be fulfilled, with the resulting danger of disillusionment and disappointment. Insistence on such guarantees would also tend to increase the amount of American assistance required.

14. The second alternative is:

> To insist on redrafting the program to eliminate features that are purely of a long-run developmental character.

There is great emphasis in the report on modernization of industrial plant and on the need for providing a basis for increases in output in later years. The advantage of the second alternative would be to minimize this emphasis and reduce the amount of American assistance needed by withholding it from projects that would not yield substantial results within the period of emergency, on the ground that economic development, however desirable, is not an appropriate object for special assistance. Its disadvantages are those mentioned in the Background Memorandum (page 172) where the difficulties of distinguishing between reconstruction and development are stressed. A further disadvantage is that this attitude does not look beyond the period during which special assistance will be needed and that an opportunity might be lost of building a really solid foundation for future expanding and mutually advantageous trade, the benefits of which would redound to the advantage of the United States.

15. The third alternative is:

> To accept as adequate the end results contemplated by the plan.

Under this alternative United States assistance would be on a scale calculated to give reasonable assurance of achieving levels of production adequate to meet the basic needs of an industrial and trading economy with access to normal sources of international credit. Western Europe would then be able to advance towards the elimination of restrictive and discriminatory economic controls with a proper regard for the sufficiency of means available at each step. On the other hand, many forms of economic control and discrimination might still be in effect at the end of the period, and American resources might prove to have been diverted to some development programs not really necessary to achieve a viable Western European economy.

16. The European governments have given certain pledges for action to achieve the end results of the plan. The general pledges of self-help and mutual co-operation are: to develop production to reach certain targets, especially for food and coal, by making the fullest use of existing productive capacity and man power; to modernize equipment and transport; to apply all the measures necessary to the rapid achievement of internal financial, monetary and economic stability while maintaining a high level of employment; to co-operate with one another to reduce tariffs and other barriers to the expansion of trade; to remove progressively

obstacles to the free movement of persons within Europe; and to organize together the means by which common resources can be developed in partnership. These general pledges are supplemented by more specific undertakings on the different parts of the program, including the targets for individual commodities. The undertakings also relate to improved coal distribution, an international hydroelectric program transcending national boundaries. the pooling of freight cars, and special measures of co-operation and standardization in industry.

17. The governments of the participating countries furthermore pledge themselves to carry out, independently of outside assistance, internal fiscal and currency reforms, to make their currencies convertible at appropriate rates of exchange after stabilization has been fully achieved, and not to divert external aid received for this purpose. These pledges are further supplemented by specific undertakings in this field by the French and Italian governments.

18. The report also expresses the intention of the participating countries to continue the study of some of the production problems at forthcoming meetings of the committees and sub-committees of the Economic Commission for Europe, thus providing a link between the recovery efforts of the sixteen countries and the countries of Eastern Europe. Finally, the participating governments declare themselves ready, in the event that means for carrying out the program are made available, to set up a joint organization to review the progress achieved in the execution of the plan. This organization is to make periodic reports to the various European governments, and to receive information from them. It is to be temporary and to cease to exist when the special aid necessary for the recovery comes to an end. No provision is made for any direct contact between it and the United States government, nor does the report suggest that the foundations are to be laid for any sort of permanent economic or political union, except in so far as this may be a necessary implication of a customs union, the possibilities of which some participating governments pledged themselves to examine.

19. In considering these aspects of the report the United States government must determine whether the pledges given and undertakings assumed are sufficiently realistic and comprehensive to remove all the major obstacles to intra-European collaboration, including obstacles arising from internal economic and political difficulties in individual countries and from burdensome systems of administrative control and undue emphasis on ambitious long-term objectives.

20. The issue therefore is:

> Are the pledges given by the European countries adequate to attain the end results envisaged in the report and to give "proper effect" to action that the United States may take in giving assistance?

If primary emphasis is to be laid on the economic aspects of the program there appear to be two broad alternatives open to this government in judging the adequacy of the report as a whole. The first alternative is:

> To accept the undertakings and proposals of the report as giving "proper effect" to the action this government may take, subject only to their being formalized and made binding by the action of the respective governments, and to the elaboration of specific measures for carrying out the principles of the report.

This would be in accordance with the implied commitments of the United States government and with the suggestions made in the President's statement of September 26, 1947. These undertakings and proposals, however, do nothing to take account of American opposition to increasing state control of economic life in Europe. Nor do they provide for substantial American supervision over the execution of the program. If the United States government felt that these were deficiencies in the report, they could be partly overcome by adding additional conditions, for example an obligation to render periodical accounting and to accept some sort of American administrative control over the detailed application of American assistance to the various programs outlined in the plan. It has also been suggested that the countries receiving assistance should, as an anti-inflationary measure, credit the local currency received from the sale of goods purchased with dollars provided by the United States to a special account under exclusive American control and that dollar securities and other dollar assets of the participating countries be pledged as collateral. Such requirements might improve the liaison between the various agencies of the United States and of the receiving countries in meeting the numerous problems that are sure to arise in the practical working out of the project and provide some tangible evidence that the investment of the American people in European reconstruction was being protected as far as possible under the circumstances. Care would have to be taken, however, to avoid the injury to national pride and the infringement of sovereignty that would result from proposing conditions to the participating countries that would impose on them a subservient or unequal status in matters of vital interest.

21. The second alternative is:

> To accept in general the economic pledges contained in the report but to require actual performance of one or more of them in advance of approval of the general plan.

The advantages of this approach might be to increase general confidence in the realism of the program. For example, if effective measures of currency stabilization in certain countries were made a precondition of agreement on a long-run assistance program, the effectiveness of assistance might be greatly increased. The disadvantages of this alternative arise from the interdependence of all the elements of a comprehensive recovery program, which is stressed in the report. The chances of success of a currency stabilization program might be largely dependent on being able to count on external assistance for some years in the future.

22. If greater emphasis is to be laid on the political side there are two further possible courses of action. The third alternative therefore is:

> To make American underwriting of the plan contingent on a more permanent and a closer economic and political union in Western Europe, possibly even the organization of a United States of Western Europe.

It has been claimed for this course of action that it would give some assurance that the "unprecedented" measures of temporary co-operation envisaged in the plan would be continued and carried to the point of making the Western European economy a large integrated unit. Furthermore, if western Germany were included, it is claimed that a possible solution might be provided to the political and security problem created by the deterioration of American-Soviet relations and the existence of a postwar power vacuum in Europe. The practical disadvantages of this alternative, however, are such as to make it appear visionary. On the economic side there would be extreme difficulty in merging the separate economies of old established states with large overseas possessions and in the case of Great Britain with special Commonwealth trading relations. On the political side there would be grave danger of dividing Europe definitively into two antagonistic parts, a result that every Western European country is extremely anxious to avoid. Moreover, the creation of a United States of Western Europe, founded upon and supported by American economic assistance, would almost certainly involve the United States in a virtually unlimited political commitment for continued political, economic and military support.

23. The fourth alternative is:

> To require that American participation in the plan be made contingent on pledges not to press forward with further measures of socialization of industry, not to admit communist participation in government, or on the acceptance of other purely political conditions.

In considering this alternative the United States government must determine how far it is in the interest of the United States to rely, for the execution of the recovery program and the fulfillment of the pledges contained in the report, on governments that are committed to the progressive socialization of industry or may, during the period of American assistance, fall under the influence or domination of communist or other elements fundamentally out of sympathy with the American conception of political democracy. Its acceptance would bring the weight of American economic power in this emergency into the balance in favor of the restoration of a greater measure of a free enterprise in Europe, and give material support to governments fighting communist pressure. It would also bring to the support of the plan many American individuals and groups that are convinced that no really substantial, productive, and effective recovery effort can be carried through in Europe under regimes attempting to control every detail of economic life. Such conditions, however, run counter to the fundamental change in the social and political outlook of most of Europe in the direction of at least moderately socialistic arrangements. It would alienate, and might discredit, many sources of leadership in Europe that constitute the only practical alternative to extreme left-wing political domination.

24. There is one group of pledges in the report that relate to the over-all economic and political adequacy of the recovery program in a

somewhat different way from those considered under the preceding broad issue. These are in the field of currency in which certain questions arise that involve both the distribution of American aid by countries and the possibility of "supplementary" assistance over and above the dollar requirements indicated by prospective trade deficits.

25. In the Report of Financial Experts (Appendix E of the Report) a plan is elaborated for attacking, through measures of currency reform, the obstacle to European recovery imposed by bilateral trading agreements between Western European countries. Under a regime of inconvertible currencies the proceeds of the net exports of one European country to another remain blocked until some movement of goods in the opposite direction can be arranged, or some ad hoc means of settlement can be agreed upon. There is a constant pressure on the trading partners to work out a bilateral trade balance. The first proposal of the Financial Experts, therefore, is to remove this pressure by having each participating European country agree to pay for all or part of its imports from other European countries in currency that could be used to make payments in other participating countries. In other words the currencies of the participating countries would be given intra-European convertibility. Even if this were put into effect some of the participating European countries would still be found to have a net export balance with all the other participating countries as a group, while at the same time having debit balances in their trade outside Europe. There would still remain a pressure on such countries to work out a trade balance with the other European countries as a whole which would also distort the natural flow of their trade. In order to remove this distortion a second proposal is made--that after the intra-European settlements are provided for, each participating country should agree to convert into gold or dollars the net credits of other participating countries that are accumulating in its currency. This would mean that the countries that were net debtors in their current trade with Europe as a whole must have the means of providing the gold and dollars required by the net creditors. The major source of these dollars would be American assistance. From the point of view of American exporters to countries that were net debtors in their trade with Europe such an arrangement would seem to entail the type of discrimination so often complained of in connection with the wartime British Sterling Area dollar pool. Difficulties have already arisen in Europe in obtaining agreement on this amount of "pooling", yet the proposals present a definite issue for the United States government:

> What should be the United States attitude towards the proposal for intra-European multilateral clearing arrangements made by the Financial Experts of the Co-operation Committee?

26. The first alternative that might be adopted is:

> To consider arrangements for interconvertibility of the currencies of the participating countries as essential for the recovery effort and to negotiate with the Co-operation Committee with a view to agreement on a scheme.

This course would be consistent with the general tenor of United States advice to European countries concerning the need for co-operation in reducing all real barriers to trade. If a practicable intra-European currency scheme could be worked out, some unnecessary drain on the gold and dollar reserve of individual countries might be avoided and intra-European trade might flow in more normal multilateral channels. On the other hand if the United States undertook to be responsible for the settlement of net balances in intra-European clearing this might encourage laxity in some countries in estimating their essential import requirements from other European countries and consequently increase the burden on the United States. A further disadvantage would be that since the proposal to adapt the American assistance program to the requirements of intra-European currency convertibility cannot be separated from the problem of internal currency stabilization, the United States, by becoming committed to the convertibility plan, might assume an implied commitment to give the necessary "supplementary" assistance for internal stabilization programs. In view, moreover, of the difficulties experienced in connection with the wartime British "dollar pool" care would have to be taken to minimize any features in the arrangements that might in practice result in discrimination against American trade.

27. The second alternative is:

To disregard the proposals of the Financial Experts.

The advantages and disadvantages of this alternative are the converse of those indicated above. It should be noted, however, that failure to embark upon an ambitious scheme of European currency reform would not necessarily leave the European currency situation in its present unsatisfactory state. It would still be possible to arrange stabilization credits if, in particular cases, concrete programs requiring external assistance were worked out. These might be extended by central banks or by the international financial institutions. Moreover, under the Articles of Agreement of the International Monetary Fund and under the draft Charter of the ITO many of the participating countries have accepted the obligation to move under specified conditions towards interconvertibility of currencies and the removal of exchange controls. These commitments are specifically referred to and reaffirmed in the report.

C. ACTION AFFECTING OTHER COUNTRIES

28. In setting forth the production targets and import requirements that it considers essential to make the European economies self-sustaining within four years, the report of the Co-operation Committee really develops a program for the revival of the normal world-wide trading relations of the participating countries. Self-help and mutual help supplemented by direct aid from the United States cannot suffice to achieve this objective. Consequently, in judging the over-all economic and political adequacy of the report, the United States government is confronted with a further broad issue:

What should be the attitude of the United States on proposals for action affecting other countries designed to give effect to its purposes in aiding the participating countries?

29. The problems that this issue raises in each of the major areas affected--Germany, Eastern Europe, and the Americas--are quite different in kind, but all are part of the common problem of reintegrating Western Europe into a world trading system.

Germany

30. Both the contribution and requirements of Germany are crucial for the Western European recovery plan, but both raise serious international issues. Some of these as noted in the Memorandum on the Background of the Problem (page 177), have had to be faced in connection with the steps already taken by the United States to increase German production. Some decisions on western Germany must be tentative pending final action on the fate of Germany as a whole. Yet if the four year recovery plan is to be effective the Western European countries must have assurances that the German contribution can be relied on during the period when their own co-operative efforts are being supplemented by special American assistance. This period will extend through and far beyond November 1947 when the Council of Foreign Ministers is scheduled to resume discussions of the German peace settlement. It is essential that the continuity of the recovery plan shall not be upset either by a breakdown of that meeting or by political and economic clauses finally embodied in the peace settlement.

31. The issues involved in the German peace settlement are discussed in Problem Paper A, but the Marshall plan itself has become a new factor in the approach of the United States to those issues. If the United States cannot obtain the consent of the Soviet Union to the incorporation in the peace settlement of economic and financial clauses that it deems essential to continued German contributions to European recovery, an issue of the first importance will be raised for the Marshall plan. Although this contingency must be in the mind of the United States government in considering the German aspects of the report of the Co-operation Committee, it involves considerations that cannot form part of the immediate negotiations on the report.

32. There are however three points at which specific German issues have a direct bearing on the problem of assistance to Europe. The contribution of Germany to Western European recovery cannot be determined in detail without reference to the general problem of the "permitted level" of German peacetime production; the attitude of many Americans towards the recovery plan is affected by the issue of whether or not German industry is to be socialized; and Western European currency reform cannot be fully effective without German currency reform. The "Marshall plan aspects" of these essentially German issues are briefly indicated in the following paragraphs.

33. The Directive issued to General Clay, United States Commander in Germany, on July 11, 1947 formulates the present United States economic objectives in Germany as follows:

"a. To eliminate industry used solely to manufacture, and to reduce industry used chiefly to support, the production of arms, ammunition and instruments of war.

"b. To exact from Germany reparations for the losses suffered by the United Nations as a consequence of German aggression.

"c. To encourage the German people to rebuild a self-supporting state devoted to peaceful purposes integrated into the economy of Europe." 5/

While this Directive was being formulated negotiations were undertaken with the United Kingdom to give effect to the third of these objectives by working out a new German "level-of-industry" agreement for the Anglo-American Zone, to replace that of March 1946 which had been put into effect following the Potsdam Agreement. These negotiations aroused apprehensions in France, shared by other continental neighbors of Germany, that German recovery was to be given "priority" over that of her victims in the war, and that German economic war potential might be revived. These apprehensions caused serious difficulties for the Paris Conference called to consider Secretary Marshall's proposals of June 5, 1947 and may have been a factor in causing the Soviet Union to decide against co-operation in the proposed European recovery program. At the request of the French government no announcement was made on the new level-of-industry agreement until French views could be presented, and when the agreement was finally made public it was with serious French reservations, and in the face of a vigorous protest by the Soviet Union subsequently officially supported by Poland. The wider implications of this situation are discussed in Problem Paper "A", but an immediate issue of vital importance for the European recovery program is raised by the new agreement, namely:

> Should it be the policy of the United States to develop German production as rapidly as possible, and as part of the European assistance program, within the limits set in the agreement?

34. The fixing of higher "permitted levels" of production is in itself of some significance for the program, since it removes a constant threat of removal for reparation purposes or destruction from many existing plants. Since these are no longer in danger of being ruled "surplus" to the German peacetime economy, they can now be operated with confidence, improved and even expanded. More important is the substantial increase in the already wide margin between actual production and the "permitted level." This has raised many questions of how much and what kinds of American assistance should go to Germany under the Marshall plan. Since the critical issues relate to German production of steel and other metals, chemicals, and machinery these determine the possible courses of action that might be adopted.

35. The first alternative is:

> To take all steps necessary to make the Ruhr region again an integrated industrial area producing steel, machinery, and chemicals for export, subject to the prohibition of direct production of war material; and to allocate the necessary amount of coal and other materials for this purpose.

The advantages of this alternative are that economic decisions in Germany could be taken on economic grounds and that all the potential resources of this area could ultimately be utilized for European economic recovery. Its disadvantages are, first, that in the allocation of coal and coke the immediate interests of French industry and of other members of the Co-operation Committee might be subordinated for a period for the sake of obtaining longer-run advantages; and, second, that the political arguments of opponents of the Marshall plan, namely that German recovery was being given priority, would be strengthened. In addition such a program would involve a maximum of external assistance not only for improving transportation, housing, and rations in the Ruhr area, but for actual rehabilitation of its industries.

36. The second alternative is:

> To restore Ruhr industrial and coal production in so far as this could be done without extensive new capital development.

The advantages of adopting this alternative are that it would minimize the amount of new foreign capital investment required in Germany and make it easier to satisfy the positions formally taken by the French government. The disadvantage is that over the whole period there would be a slower pace of recovery. Under both alternatives, the contemplated increase in German productive output would diminish our reliance on economic disarmament for security against Germany, and would increase the need for finding adequate safeguards in military, political, and territorial arrangements.

37. In recent negotiations between the United States, the United Kingdom and other governments looking towards more effective management of the Ruhr coal mines and an over-all increase in German coal production the question of socialization has been postponed for later decision. It may be questioned, however, whether Germany can, over a four-year period, make its most effective contribution to European recovery without some basic decision on the ownership of its coal mines and other heavy industries. In view, moreover, of proposals that have been made for the organization of some form of American controlled or internationally controlled corporation through which American capital investment in Germany under the Marshall plan might be channeled, and for the use of such devices as the joint company for the development of American financed improvements in German industrial production, the United States government must consider the following issue:

> Should the United States government take the position in future negotiations with other occupying powers that the success of the Marshall plan would be prejudiced by continuing to leave open the fundamental question of the ownership of German heavy industry?

This issue is all the more urgent because of the strong desire of important elements of American public opinion to see American assistance to Europe utilized in such a way as to promote the development of private enterprise. The intricate issues involved in the whole question of the ownership, control, and management of these industries cannot be decided on their "Marshall plan aspects" alone, and therefore are not discussed here. Yet the response of Europe to the Marshall proposal and the steps already taken in Germany in the light of it have already altered the terms of the whole problem.

38. The proposals that have been made by the Financial Experts in their report to the Co-operation Committee, and the subsequent discussion of these proposals, raise the following serious issue with respect to western Germany:

> Should currency reform be carried to the point where western Germany can be fitted into some sort of interconvertible currency system for Western Europe?

This issue is complicated by the fact that fundamental currency reforms in any area require both economic and political unity in that area. German currency reform of the thoroughgoing nature that would be necessary to enable western Germany to participate in an effective intra-European multilateral clearing system is therefore inseparably bound up with the future political status of the three zones, and consequently with the general problems of the German peace settlement. This is shown by the fact that the Directive of July 11, 1947, while making substantial contributions to removing the obstacles to an adequate German contribution to European economic recovery caused by the unsatisfactory and artificial status of the reichsmark, makes basic currency reform dependent on Control Council approval. Since the numerous issues and alternatives presented by the German currency problem are inseparably bound up with the great issue of German political and economic unity they are not discussed here, even though they are on many counts of very great direct and indirect importance in the problem of American assistance to Europe.

Eastern Europe

39. One of the fundamental assumptions of the report is that during the four-year period there will be a gradual and substantial increase in trade between Eastern and Western Europe. Many of the sixteen countries represented on the Co-operation Committee have in force or under negotiation trade treaties and commercial or monetary agreements with non-participating European countries. They are actively co-operating with these countries through the Economic Commission for Europe (see Memorandum on the Background of the Problem, page 173). The Paris Conference of July 1947 envisaged consultation with this Commission on the proposed plan, which meant consultation with the Soviet Union as well as with Yugoslavia, Poland, and Czechoslovakia. In spite of the failure of all efforts to secure the treatment of Germany as an economic unit, the western zones continue to make economic exchanges with the Soviet zone and also with countries in the Soviet orbit, notably Czechoslovakia. Moreover, many of the countries in the Soviet orbit have clearly maintained their interest in continuing and developing their trade with Western Europe even though prevented from participating in the recovery plan. Furthermore, the importance of Poland and Czechoslovakia in European trade as a whole has been increased as the result of boundary changes and an industrial shift from Germany eastward.

40. The Co-operation Committee's report indicates a strong desire to strengthen these links with Eastern Europe but they may be so weakened as to upset the assumptions of the plan either by the opposition of the Soviet Union or by the complete cutting off of American assistance to countries in the Soviet orbit. Either of these events or both in

combination may result in the loss of Eastern European supplies for the whole period of the plan. It is therefore important for the United States government to define its position on the following issue:

> Should the United States encourage, or take any action with respect to, the gradual expansion of trade between Eastern and Western Europe?

41. There are two broad possible courses of action. The first alternative is:

> To make participation in the European recovery plan a condition of further American assistance to countries in the Soviet orbit.

To do this would be to give priority in American assistance to those areas in which democratic liberties are respected. It would be consistent with a policy of containment of the Soviet Union, and would minimize congressional opposition to the use of American funds in a way that might directly or indirectly strengthen the Soviet Union. On the other hand this course of action would increase political tensions and disturb or prevent the fruitful development of established trade relations between Eastern and Western Europe. It would also almost certainly prevent participation by Eastern European countries in the proposed International Trade Organization.

42. The second alternative is:

> To seek to strengthen rather than weaken the economic links between Eastern and Western Europe.

If this alternative were adopted the United States might implement its policy (1) by assisting the participating Western European countries to obtain needed products from Eastern Europe through the export of their own products, even at the expense of replacing the latter by imports from the United States, or by the re-export of American goods to Eastern Europe; or (2) by not standing in the way of credit advances by the International Bank or by the participating countries to Eastern European countries and by making direct loans to these countries if by these means trade can be encouraged that will contribute directly to the economic recovery of Western Europe; or (3) by some combination of (1) and (2). Such a policy would hold open the door to future voluntary co-operation by the Soviet Union and countries in the Soviet orbit and would weaken the force of opposition by the Soviet Union to the plan by making it clear that the economic self-interest of the satellite countries would be served by voluntary co-operation. If this alternative were adopted stress would need to be laid on the positive aspects of the program rather than on opposition or political hostility to any other country or system.

Canada and Latin America

43. The inclusion in the report of the expected four year deficits of the participating countries with Canada and Latin America in the over-all expected "dollar deficit" and the exclusion of any expected offsets from surpluses in non-American countries raises a specific issue for the United States government:

Should the United States government undertake to finance Western European trade deficits with Canada and Latin America?

44. There are two attitudes that the United States government might take on this issue. The first alternative is:

To include these deficits in the calculation of the over-all total of American assistance to be recommended by the Executive to Congress.

By accepting this responsibility the United States government would recognize the actual problem of the Western European countries when confronted by demands for payment in dollars for their net purchases in other American countries. It would make a realistic distinction between the financial and procurement aspects of the recovery program as a whole, and provide for maximum utilization of the capacity of Canada and Latin America to supply goods needed for the program. This alternative does not preclude a series of special measures that might be taken over the four-year period to work out methods of financing part of these purchases on a non-dollar basis. But it does not make the procurement of the commodities that can be supplied by the rest of the Americas contingent in any degree on the success of such measures or on some hoped for over-all change in the course of American trade with non-participating countries. Its disadvantages are that it greatly enlarges the area of United States financial responsibility, diminishes the pressure on certain other countries to make their full contribution to the solution of the problem,and involves the United States in financial commitments that may not appear just and equitable to important sections of American public opinion.

45. The second alternative is:

To confine the program of American assistance to Europe to the procurement and financing of goods and services provided by the United States.

The limitation of American commitments in this way would not only minimize the amount of financial assistance, but would be in accord with the principle already established in American legislation that trade financed directly by public funds should be American trade exclusively. It would have the disadvantage, however, of putting pressure on Western European countries to concentrate their procurement of needed goods as far as possible on the United States at a moment when serious doubt is felt about the ability of the American economy to meet these requirements without undesirable domestic effects. Far more serious is the fact that it would almost certainly result in failure to achieve the general objectives of the assistance program as a whole.

D. METHODS OF FINANCING AND ADMINISTERING THE ASSISTANCE PROGRAM

46. The methods of financing and administering any assistance program that may finally be agreed upon must depend in large degree on the positions taken on the issues presented above, for they will determine its general scope and character. In part they will depend on the availability

of funds derived from private sources in the United States and the inducements that may be offered to private capital to participate with or without government supervision or assistance. In part, however, they will depend on decisions taken on general policy grounds on the following issue:

> To what extent should reliance be placed on intergovernmental arrangements to give effect to the assistance program?

In its report the Co-operation Committee states that some of the expected four-year trade deficits of the sixteen participating countries can be filled through private financing and investment, but it limits its conception of the type of assistance that may properly be financed by the International Bank and by other normal credit operations to equipment other than agricultural and mining machinery, and its estimate of this part of the four-year requirements is three billion dollars. The report, moreover, does not go into the question of whether any substantial portion of these loans would be to private borrowers in the European countries. The inference is that the bulk of the assistance is to be financed by intergovernmental arrangements.

47. There appear to be two ways of meeting this issue. The first alternative is:

> To accept the assumptions of the report on the relative roles of intergovernmental and private financing.

There are strong general grounds for adopting this alternative. The administration of an over-all four-year production and import program for sixteen countries in which raw materials and food are major items is in its nature an intergovernmental undertaking. It involves serious and continuous problems of allocation and re-allocation of available supplies between countries, the harmonization of national recovery plans to some extent, and an over-all direction of national efforts along a prescribed path. All these are governmental functions and any continuing body that may be set up by the governments concerned to review the operation of the plan as a whole and to recommend modifications must be an intergovernmental body. The discharge of these over-all responsibilities by governments would not in itself prevent private business from going ahead with approved schemes of reconstruction that may involve some expenditure of foreign exchange and would therefore not necessarily be restrictive of the scope of private enterprise. On the other hand, most of the governments participating in the plan are moderate socialist governments for whom any enforced enlargement of the field of private enterprise within their countries would present great, and perhaps insuperable, political difficulties. These considerations all tend to support the view that a very substantial part of the dollar obligations to be assumed should be those of European governments, even if the sources of the credit are other than the United States government itself. Moreover, if any substantial part of the American assistance is to be given on other than commercial terms, private financing is to that extent ruled out. It must also be recognized that part of the difficulty in increasing the area of private participation in the program as a whole is the failure of private American capital export to develop in the postwar period on any substantial scale. It must appear to some European countries that American enterprise is holding back and refusing, on grounds of the political risks involved, to invest venture capital in European reconstruction. To place too much reliance on private capital in the near future might therefore lead to very great uncertainty, dangerous to the carrying out of the program as a whole. The report takes account of these circumstances and is realistic to that extent. The principal disadvantages from the American point of view of accepting its assumptions on this question are that it suggests nothing to reverse the trend towards state control of economic life in Europe, and that intergovernmental arrangements maximize the difficulties of securing effective guarantees that American assistance will not be mis-applied.

48. The second alternative is:

> To adopt special measures designed to increase greatly the role of private financing.

This could be done, for example, by (1) increasing the lending power of the Export-Import Bank but at the same time limiting it to loans to individuals or private enterprises abroad; (2) authorizing the Reconstruction Finance Corporation to underwrite American corporations wishing to advance money to productive enterprises abroad; (3) utilizing the guarantee powers of the International Bank in addition to its direct lending powers; and (4) developing a series of joint American-European corporations to manage and control reconstruction and development projects envisaged under the plan. All four of these methods share to some extent the advantages of encouraging private enterprise and increasing American supervision. In addition, even if utilized only to increase the amount of private participation rather than to displace intergovernmental arrangements, they would shift a larger part of the financial responsibility from the United States government to private sources than would be the case under the program advanced by the Co-operation Committee. The device of the joint company, which is strongly advocated by important industrial groups, would introduce into the program a large transfer of American managerial skill and technical know-how, and would ensure strict application of parts of the American assistance to the purposes for which it was intended. The major disadvantages of adopting this alternative are those already noted in the discussion of the first alternative, and in the case of the joint company there would be the additional disadvantage of appearing to justify, in the eyes of Europe, one of the main points in the propaganda campaign of the Soviet Union against the Marshall plan--that it is designed as a means of bringing large sections of European industry under the direct control of American capitalists. Provided that American corporations remain free, as they are now, to offer their financial and technical assistance to European corporations seeking their co-operation, it would be difficult to justify any kind of American compulsion on European countries to use the joint method.

49. Whatever the scope of private participation, it seems clear that the major burden must fall on the United States government if the objective of making the economies of the sixteen participating countries self-sustaining is to be achieved in the next four years. The following broad policy issue therefore arises:

What principles should govern the financial terms on which United States government assistance is to be made available?

50. Though the problems involved in working out financial terms are very numerous, many of them relate to the detailed application of whatever governing principles are agreed upon. The basic decisions to be made therefore concern the selection of these principles. If, in financing assistance, the United States government were to consider that it was acting merely as an international lender, the terms of service and repayment would properly be fixed by applying strictly financial considerations. If this attitude is not adopted there appear to be four other possible broad courses of action.

51. The first alternative is:

> Not to fix the financial terms at the time the assistance is given, but to establish an obligation to reach mutually acceptable arrangements at a later date.

This method was followed on a small scale by the Swedish government in assisting nationals of other Scandinavian countries during the war, on the ground that when the advances were made it was impossible to foresee what would be the economic situation of the recipient countries in the future, and that it would not be in the interest of Sweden to burden their economies with charges that could not in fact be borne. This arrangement worked out satisfactorily. The advantage of following this precedent even in part is that it would avoid creating contractual obligations that might have to be revised later at the risk of causing international tension. The disadvantage in so extensive a project as the reconstruction of Western Europe with American aid is that it presupposes a degree of trust and common attitude that may be unattainable in so large and diverse a group as the participating countries.

52. The second alternative is:

> To make all United States government assistance in the form of loans, but to require no interest and amortization payments for an agreed number of years and to make the service and repayment terms over the whole period of the loans both flexible and moderate.

This alternative is simple and uniform, and has international precedent in the American loan to Britain and in other postwar international loans. It provides for relief to the balance-of-payments position of the borrowers for the period of the expected abnormal trade deficit. It may further provide for a very moderate interest payment, and for waiving, in accordance with reasonable and agreed criteria, the transfer of interest and amortization in the event of future balance-of-payments difficulties. It has the disadvantage that the part of the assistance that is really relief would have to be included in the schedules of repayments. This might later result in transfer difficulties that might cause a breakdown in foreign exchange mechanisms and prevent the full benefits of the reconstruction effort from being maintained after the transitional period was over.

53. The third alternative is:

> To make separate arrangements with each country after a rough allocation of its share in the total assistance to be given has been worked out.

This would make it possible to take into account the actual and potential capacity of each country to service and repay the loans made. Another advantage is that political and security considerations applying to particular countries might be taken into account. On the other hand, Congress could not under this plan be asked to approve a single unified financial program that could be clearly understood by the American people. It would have to delegate much negotiating power to the Executive or to some special agency created to administer the program. Different treatment for different countries, moreover, might involve the United States government in charges of favoritism, discrimination, and injustice.

54. The fourth alternative is:

> To adapt the general principles of lend-lease to the new situation by distinguishing in the agreements between different types of assistance.

For example, distinctions might be made between three types of assistance: (1) straight relief in food and fuel made necessary by natural disasters such as the recent cold winter and crop failures; (2) general imports for consumption and maintenance necessary to release the borrower's resources for employment in the general reconstruction of the economy; (3) imports contributing directly to the development of export industry or other branches of the economy that could provide on a competitive basis goods now imported from abroad. For the first no payment might be required; for the second repayment might be expected but only a nominal interest charged; while for the third interest and repayment might be required on terms yielding a satisfactory return to the United States government. There would be great difficulties in making these distinctions or similar ones in practice, and the classification of the types of assistance would place an increased burden on the United States budget. It would, however, avoid burdening the future balance-of-payments situation of the borrowing countries with charges growing out of a totally abnormal crisis situation, and yet place on a self-respecting and equitable basis that part of the genuine capital export from this country that had been financed by public funds. There would also be some collateral advantages. It might be convenient to charge different agencies of government with the procurement in this country of goods coming under each of these classifications and with the administration of assistance used for distinct economic purposes. These collateral advantages might, on the other hand, be gained more effectively if the distinctions were applied to all parts of the assistance program, and not only to the part financed by the government. This suggests a possible solution to some of the difficult administrative problems involved in the management and direction of so great an undertaking as the Marshall plan.

55. In approaching the question of how the whole program should be administered the United States government is confronted by two broad issues, of which the first is:

What organization should be provided for the administration of the program?

The diverse interests involved are suggested by the number of agencies and groups directly concerned in the analysis of the Co-operation Committee's report. The National Advisory Council was asked to analyze the financial and fiscal aspects, the Executive Committee on Economic Foreign Policy was asked to consider the broad economic policy questions raised, while the food aspects were assigned to the President's Cabinet Committee on World Food Problems. Those sections of the report dealing with requirements other than food were assigned to various working groups under the leadership of the Department of Commerce, and all of these groups were asked to consult with the President's three committees specially appointed to explore the general domestic aspects of the program.

56. In the light of the complexity of the problem, four possible courses of action appear to be available. The first alternative is:

> To divide direct responsibility for the administration of the program according to the character of the assistance granted (relief, general support of the economy, productive equipment, stabilization) and to set up a Policy Committee, on which interested government agencies and members of Congress would be represented, to give over-all direction.

Under such a procedure it would be possible, for example, to set up a special agency to be in charge of the procurement and distribution of food and fuel under the plan. These have the common characteristic of being basic for the relief aspects of the program. They also present special procurement problems. 6/ The Department of Commerce could be charged with administering the general economic support part of the plan, and the financial institutions (Export-Import Bank, International Bank and Fund, and private capital) could be made responsible for financing productive equipment and stabilization, with policy co-ordination in the hands of the National Advisory Council.

57. The second alternative is:

> To delegate responsibility for the various parts of the administration to groups and agencies roughly along the lines now being utilized in the examination of the report with final responsibility centered in a top Policy Committee.

58. The third and fourth alternatives are:

> To organize a government corporation for foreign economic aid along the lines of the Reconstruction Finance Corporation to be responsible for the actual expenditure of all funds appropriated by Congress. Such a corporation might be required to report directly to Congress.

and

> To vest major responsibility for the administration of the program in a small Cabinet Committee of which the Secretaries of State, Treasury, Commerce and Agriculture would be members.

The precise advantages and disadvantages of these or other possible methods of administration cannot be assessed until the Marshall proposal has in fact been translated into a Marshall plan. They will, moreover, depend in part on whether or not the commitments undertaken by the United States are for the full four-year period.

59. The second administrative issue therefore is:

> Should the Marshall plan be administered as a single integrated four-year program or should it be made subject to thoroughgoing annual review and revision?

Strong arguments can be advanced for taking either position. The over-all objective is to bring to an end the need for special assistance by stimulating and supporting sustained co-ordinated effort by the sixteen countries over a period long enough to accomplish this purpose. Many elements in the plan can be put into effect only if there is assurance that aid will not be withdrawn when they are half completed. If there is serious uncertainty of the assistance to be expected in the second and third years, risks that must be taken in the first year to set in motion a cumulative recovery process may not be taken. A four-year commitment by the United States would supply the all important element of confidence, and it would not preclude continuous review and adjustment by mutual agreement in the light of changing circumstances. On the other hand the accounting required could be stricter and the possibilities of radical adaptation of the whole program to changing economic circumstances in the United States and in Europe, and to major political developments abroad, would be greater if the firm commitments of the United States did not extend beyond one year. No Congress can bind a succeeding Congress, and the consequence of a long-run policy commitment by the Executive not backed up in the second or third years by the necessary annual appropriations might be more adverse to ultimate success than the uncertainty introduced at the outset by placing the definite commitments on an annual basis. The radical change in the economic outlook that took place in 1947 illustrates how great is the need for flexibility in policy and administration in this whole field.

E. EMERGENCY ACTION

60. The European economic emergency of 1947 is a food, fuel, and foreign exchange emergency, but its effects have spread throughout the economies of several important Western European countries. It is of the utmost importance that the Marshall plan check as effectively as possible the development of a cumulative downward trend that has in some respects already begun to spread from country to country. In addition strong humanitarian considerations, to which the American people are always responsive, have added great urgency to the problem of arranging and financing American interim emergency assistance. The development of this crisis and its repercussions in the United States up to the announcement of the President's voluntary food conservation program have been described in the Memorandum on the Background of the Problem (page 180). When the food conservation program was announced the United States government was facing the issue of whether to summon Congress into special session to enact a fully adequate emergency program for financing interim relief, or whether to make

fresh attempts to find sufficient means of financing a minimum program without additional congressional appropriations. Apart from this question of procedure, the basic domestic issue posed by the emergency is that stated by the Harriman Committee (Memorandum on the Background of the Problem, page 180). Concretely it is:

> Should the Department of Agriculture through the Commodity Credit Corporation continue to buy wheat aggressively in the market in order to meet the export requirements?

61. The first alternative is:

> To meet minimum export requirements regardless of the inflationary effects on the domestic economy.

The advantages of choosing this alternative are that it would ensure that our political and economic objectives in Western Europe are not greatly prejudiced by the development of a severe food crisis this winter, and that it would rely on the ordinary effects of high prices to limit consumer purchases in this country and bring about a correction along traditional lines. The risk, however, of plunging the United States into a severe inflationary crisis might be considerable.

62. The second alternative is:

> To risk failure in meeting minimum export requirements by making government purchases of grain in the market only at times when prices were weak.

The consequences of such a policy cannot be fully assessed until the results of the President's voluntary self-rationing plan have become manifest. If these were substantial, it might be possible to satisfy all or most of the export requirements by a cautious grain buying policy, and by so doing to protect the domestic economy from an extreme inflationary crisis. If the results were not substantial, the protection afforded to the domestic economy might be negligible, and it might prove impossible to meet the export requirements. This alternative, however, has the psychological advantage of minimizing the resentment that the American people might develop against all forms of foreign aid if they were convinced that foreign relief was the cause of extreme increases in the cost of living.

Footnotes

1/ Statement by President Truman, New York Times, Sept. 26, 1947.

2/ The same.

3/ The same.

4/ Committee of European Economic Co-operation, General Report, Volume I, Department of State Publication 2930, European Series 28, Sept. 1947, p. 58.

5/ The Department of State Bulletin, Vol. XVII, No. 421 (July 27, 1947), p. 189.

6/ The Krug Committee, National Resources and Foreign Aid, The Department of Commerce, Oct. 1947, Section I, pp. 12-15; 20-21; Section III, pp. 23-24.

PROBLEM PAPER "C"

THE PROBLEM OF CHINA

STATEMENT OF THE PROBLEM

To determine the policy to be adopted by the United States that would be likely to contribute most to a united, stable, strong, and democratic China.

EXPLANATORY NOTE

1. The problem has arisen out of the prevailing chaotic conditions in China, which not only adversely affect the prospects of economic recovery and political stabilization in China and throughout the Far East, but also are a serious detriment to important United States interests. Those conditions, which are in part endemic in China and in part the result of the war, have been rendered more acute by civil strife, which has broken out on a large scale following the breakdown of efforts to compose the differences between the parties by peaceful means, including mediation by the United States.

2. China occupies a central position in East Asia and contains two thirds of both its area and its population. The Chinese people number one fifth of all humanity. What happens in China vitally affects the peripheral countries of East Asia and, ultimately, international peace and security, and is a matter of major concern to the United States because of the magnitude of its interests in that part of the world and because of its interest in the development of orderly processes in international relations throughout the world.

3. The situation in China appears to be steadily deteriorating despite the substantial assistance that the United States has continued to give China. The urgency that the United States government attaches to reaching a decision upon its future policy toward China is clearly shown by the sending of Lieutenant-General Wedemeyer on a presidential mission of inquiry to that country in July 1947.

4. The problem of China has been selected from those described in Part III not only because of its importance and urgency but also because of its illustrative character. The independence and political integrity of China are threatened by an armed minority in open rebellion against the recognized government, and it is asserted that this armed minority is being aided from abroad. There is also some question of the extent to which the recognized government enjoys public support in China and whether at least some of its principal leaders are sincerely devoted to the interests of the people.

5. The problem has been stated in terms of the established and declared objectives of the United States. Current official statements of policy call for efforts toward a united, stable, strong, and democratic China. In a statement issued by President Truman on December 15, 1945, it is clearly implied that the terms "united, stable, strong, and democratic" have to be interpreted in accordance with Chinese conditions and are not to

be taken literally. The President said that the existence of autonomous armies such as the Communist Army was inconsistent with, and actually made impossible, political unity in China and that a China disorganized and divided either by foreign aggression or by violent internal strife was an undermining influence to world stability and peace. He suggested a modification of the one-party "political tutelage," established as an interim arrangement in the progress of the nation toward democracy by the father of the Chinese Republic, Dr. Sun Yat-sen. The reference to Dr. Sun suggests that what President Truman probably envisaged was a democracy on Chinese patterns and not necessarily conforming to Western standards. There would, therefore, seem to be ample warrant for assuming that what is meant by "a united, stable, strong, and democratic China" is a China sufficiently united and stable to be free from violent and disruptive internal strife, sufficiently strong to be able to maintain its territorial integrity and independence and thus unattractive as an object of external aggression, and sufficiently democratic to ensure a government committed to serving the interests of the Chinese people, and therefore less vulnerable to designing alien influences.

6. The question immediately arises whether the objectives of the United States should include the possibility of the partition of China between the principal contending factions. Apart from the merits of this proposal, it should be pointed out that although a division actually exists in China on which the United States may some day have to take a position, the question of partition has not arisen as a practical political matter. Moreover, there is no expressed sentiment among any considerable or responsible body of opinion in China on either side in favor of partition. The Chinese communists as well as the Kuomintang claim adherence to the principles of Dr. Sun Yat-sen and look to establishing their leadership throughout China. Chinese history does not indicate any prospect of a strong sentiment in favor of partition developing in the future. The Chinese have retained intact through the centuries a strong sense of a common nationalism based upon unity of culture and an asserted unity of race. However loose may have been the degree of authority exercised by the central government over local regimes set up from time to time by dissident elements, its de jure authority has generally been acknowledged, or alternatively the dissident regime has pretended to be the government of all China. Despite countless revolts and rebellions in the course of China's long history and despite imminent disintegration of the government at various times, Chinese sentiment has insisted upon the continuance of a single Chinese nation embracing all the Chinese people as well as Sinkiang and Tibet, where the Chinese comprise but a small minority of the population.

7. It has been suggested that it might be unsafe for the United States to help to build a strong China because this would mean promoting another powerful Asiatic state to replace Japan. The implication, however, that a strong China would be an aggressive power should not be accepted without argument. And if the danger should be admitted to be conceivable, safeguards would lie in the general international security arrangements and in the nature of the Chinese government, rather than in deliberately keeping China weak.

PROBLEM PAPER "C"

THE PROBLEM OF CHINA

MEMORANDUM ON THE BACKGROUND OF THE PROBLEM

1. China has traditionally been the diplomatic preoccupation of the Western powers that have been concerned with international problems affecting East Asia. Toward the close of the nineteenth century the European powers and Japan, having divided among themselves most of the territories of East Asia up to China's very doors, began a scramble for exclusive concessions and spheres of influence in China itself, which might well have ended in the complete partitioning of China. At that point, however, the United States successfully asserted its influence and gained acceptance of the principle of equal opportunity or the Open Door in China. That principle, which was first enunciated by Secretary of State John Hay, had long been inherent in American policy. The most complete expression of American policy was formulated later in the Nine Power Treaty of 1922. The principles are epitomized in the provisions of Article I, which reads as follows:

> "The Contracting Powers, other than China, agree:
>
> "(1) To respect the sovereignty, the independence, and the territorial and administrative integrity of China;
>
> "(2) To provide the fullest and most unembarrassed opportunity to China to develop and maintain for herself an effective and stable government;
>
> "(3) To use their influence for the purpose of effectually establishing and maintaining the principle of equal opportunity for the commerce and industry of all nations throughout the territory of China;
>
> "(4) To refrain from taking advantage of conditions in China in order to seek special rights or privileges which would abridge the rights of citizens or subjects of friendly states, and from countenancing action inimical to the security of such states." 1/

2. In the course of a century and more of friendly intercourse, the United States has acquired important interests in China. These include tangible investments in commercial, philanthropic, and religious enterprises and an intangible moral investment in the good will of the Chinese people. While American economic interests in China, as measured by the volume of direct trade between the two countries and by the value of American investments, do not compare in magnitude with British interests there or with American economic interests in many other countries, the United States has customarily counted not so much upon their current value

as on their value in the light of China's future potentialities. Nevertheless, in view of the expense incurred by the United States in supporting China and in maintaining its establishments there, the question has been raised whether China has not been a liability rather than a source of material profit.

3. The United States also has an important security interest in China. As long as the country is rent by armed civil strife and impotent against foreign aggression, which is the condition of China today, it endangers the immediate security of the entire Western Pacific area and ultimately the security of the United States.

4. During the last half century China, which has been profoundly affected by the impact of Western civilization, has been undergoing a social, political, and economic revolution. Because of the magnitude of its area, the vastness of its population, and the lack of political integration measured by modern standards, the process of readjustment has perhaps necessarily been slow, and a long period of disorganization has been inescapable. With the collapse of the monarchy in 1912, old moral and ideological controls broke down before there were any generally acceptable new controls to take their place. The old system was exemplified in the patterns of a social organization that were set by the traditions of the Chinese classics, continuity of adherence to the authority of which was assured by a self-sustaining civil service composed of scholars. Since the downfall of the monarchy, civil strife has been intermittent. By 1931, however, China had gone a long way toward placing its house in order when Japan's occupation of Manchuria and attack in the following year at Shanghai caused a serious setback. As China, after recovering from these blows, gradually resumed progress a more serious setback occurred with the all-out Japanese invasion of China in 1937. The subsequent eight years consisted of back-to-the-wall resistance by the Chinese against a better armed and better organized aggressor.

A. POLITICAL AND ECONOMIC SITUATION

5. The Kuomintang (National party) was organized by Dr. Sun Yat-sen in 1919. Following the death in 1916 of Yuan Shih-kai, who had been President of China since the overthrow of the monarchy in 1912, there had followed a period of internal strife among contending war lords. Dr. Sun and his followers organized a provisional government in Canton which pursued a checquered career. It was not recognized by any of the Chinese treaty powers. In 1924 Dr. Sun, having appealed in vain to the United States and Great Britain for aid, turned to the Soviet Union, which made available to the Kuomintang a group of advisers headed by Michael Borodin. In 1925 Sun Yat-sen died leaving a "last will and testament" in which he declared that the purpose of the revolution had not yet been accomplished. He also left a legacy in the form of a book, the "Three Principles of the People," containing the political program for China that had been adopted in the previous year by a party congress of the reorganized Kuomintang. Dr. Sun's program called for national reconstruction in three stages: a military stage to continue until the recovery of territory was effected; a stage of political tutelage under the dictatorship of the Kuomintang to continue until the majority of the provinces were prepared for the exercise of political rights; and the final stage of constitutional government.

6. At Canton a revitalized Kuomintang, advised by Borodin and his associates, put into operation a program based upon Dr. Sun's principles and organized a Soviet-trained Nationalist army. In the summer of 1926 the army led by Chiang Kai-shek started northwards. After a succession of easy victories, in the course of which Hankow, Nanking, and Shanghai were taken, the army finally reached Peking in June 1928. In that same year the Kuomintang regime became the recognized government of China. In 1929 the period of "political tutelage" began.

7. In its development after 1923 the Kuomintang was a composite of groups and individuals, representing all shades of political opinion, that had been brought together by a common desire to terminate the rule of the war lords. During the period when the Kuomintang movement was centered at Canton, the radical influence was predominant. In 1927, when the Nationalist forces reached the industrial centers of the Yangtze valley in their northward sweep, many industrialists whose support was invaluable to the success of the revolution joined the Kuomintang cause. From the outset the radical and the conservative elements of the party had been divided; but when the communists began to urge nationalization of industry, a breach developed that resulted in the purge of the communist element and the strengthening of the conservative influence. After the National Government became a party dictatorship, the Kuomintang leaders became less and less radical, partly because of the vested interest in power that they acquired, and partly because of the gradual reassertion of the influence of classical tradition, veneration of which is deeply instilled in the Chinese mind.

8. The split in the Kuomintang over the nationalization of industry coupled with the excesses committed by the communist forces during the capture of Nanking caused the National Government in 1927 to proscribe the Chinese Communist party, and many communists were executed. Most of them, however retreated to the hinterland of Kiangsi Province where they carried on a stubborn resistance against the forces of the National Government until 1934. In that year they executed a march in mass to Northwest China, where they have since been exercising independent control over wide areas. Japan's course of aggression in China brought about the establishment in 1936 of a "united front" against the Japanese by the National Government and the Chinese communists. In the early part of 1941 the rift between the two factions was reopened following a clash between their two forces involving what was charged by the communists as a violation of a promised "safe conduct." Thenceforth the National Government ceased to pay and supply the communist forces and attempted to isolate their territory from the rest of China by a form of military blockade.

9. Although in the field of social policy the Chinese communists have gone little beyond putting into effect a program based upon Sun Yat-sen's doctrines and upon legislation enacted by the Kuomintang before the war, their principal leaders are avowed Marxists and many of them were trained in the Soviet Union. In the international field they have consistently adjusted themselves to the shifts of Soviet policy. It may be that their abstention from class warfare is a matter of tactics rather than of principle.

10. After the attack on Pearl Harbor in 1941, the United States government actively sought to end the armed rivalry between the National

Government and the Chinese communists, which was a serious impediment to China's war effort. Especially after the autumn of 1943 the United States urged the National Government to try to reconcile its differences with the communists. At the same time, the United States approached both the National Government of China and the government of the Soviet Union with a view to bringing about harmonious accord between them.

11. Through American mediation, intermittent negotiations took place between the National Government of China and the Chinese communist regime; but the negotiations came to naught, as powerful influences on both sides blocked the making of concessions sufficient to bridge the gap between their respective positions. The efforts of the United States to exert an effective influence were handicapped by the lack of leverage that it could apply to the communists and by the unco-operative attitude of certain Kuomintang leaders who appeared to be trading upon an assumption of American eagerness to speed up the war even at the price of unconditional underwriting of the National Government.

12. The desire of the United States to bring the Chinese and the Soviet governments together and to cause the Soviet Union to enter the war against Japan were the principal reasons that prompted President Roosevelt at Yalta in February 1945 to enter into an agreement, subject to the concurrence of China, whereby the Soviet Union undertook to enter the war against Japan at a future date and to support only the National Government, which was the regime recognized by all powers, including the Soviet Union, as the legitimate government of China. In return for this support, China was to recognize the "status quo" in (that is, the independence of) Outer Mongolia, and to assent to placing the Soviet Union in a position in Manchuria substantially the same as that enjoyed by Czarist Russia just prior to the Russo-Japanese War of 1904-05. Subsequently, on August 14, 1945 China concluded a treaty with the Soviet Union substantially on the Yalta terms but with some modifications such as the provision for a plebiscite in Outer Mongolia and the elimination of the Soviet requirement that the Manchurian railways be protected by Soviet guards. The most significant gains of the Soviet Union in Manchuria under the treaty were control of a naval base at Port Arthur for thirty years, joint and equal ownership and control of the key Manchurian railways, and a thirty-year lease of one half the port facilities at Dairen.

13. Japan's surrender in August 1945 left 2 millions of her armed forces in China, about 1.3 million in China proper and Formosa, and the balance in Manchuria. The surrender terms provided that the forces in China proper and Formosa were to surrender to the forces of the National Government and those in Manchuria to the Soviet forces. In China proper and Formosa the surrender and subsequent withdrawal of Japanese troops were carried out with aid from the United States, accorded at the request of the Chinese government. In Manchuria the restoration of Chinese authority was delayed by lack of transportation for reoccupation troops and by the armed opposition of Chinese communists, allegedly supported by the Soviet Union, in violation of the spirit if not the letter of the Chinese-Soviet Treaty of 1945.

14. At the Moscow Conference in December 1945 Secretary of State Byrnes had several discussions with Soviet Foreign Minister Molotov

regarding Soviet and American armed forces in China. An accord was reached on the desirability of withdrawing those forces from China at the earliest practicable moment consistent with the discharge of their obligations and responsibilities. Mr. Byrnes, Mr. Molotov, and Mr. Bevin, the British Foreign Secretary, announced at this time that they were in agreement on the need for a united and democratic China and for the cessation of civil strife. They also affirmed their adherence to a policy of nonintervention in the internal affairs of China.

15. In the course of a radio address on December 30, 1945, giving an account of the meeting of Foreign Ministers at Moscow, Secretary of State Byrnes stated that in the agreements and understandings reached, the interests of China had been taken into full account, and he pointed out that a China divided by civil strife would not be able to take its rightful place among the Allies and discharge properly its international responsibilities. This statement was made when President Truman sent General Marshall to China to assist the Chinese in the task of halting civil strife and bringing about a united and democratic China. Through General Marshall's good offices, a truce agreement was reached between the Kuomintang and Communists on January 14, 1946. In March 1946 a Committee of Three composed of General Marshall as chairman, Chang Chih-chung as representative of the National Government, and Chou En-lai as representative of the communists was established at Chungking to terminate hostilities. Within a short time, however, the truce agreement was disregarded, and armed clashes between the two sides became intermittent in the following months, especially in Manchuria.

16. In January 1947 General Marshall was recalled from China, and on January 7 he issued a statement in which he explained frankly that efforts to achieve a settlement in China had been frustrated by a dominant reactionary group in the Chinese government and by irreconcilable communists. He expressed the view that salvation lay in the assumption of authority by the liberals in the government and in the minor parties, under the leadership of Chiang Kai-shek.

17. Shortly after General Marshall's return from China, the United States government on January 29 announced that it had terminated its connection with the Committee of Three. It also announced its intention to withdraw as soon as possible the United States personnel from the Executive Headquarters that had been established at Peiping by the Committee of Three to supervise the execution of the agreements for the cessation of hostilities and the demobilization and reorganization of the Chinese armed forces. At peak strength the United States forces in China had numbered 113,000. By the end of 1946 this number had gradually been reduced to 12,000. The evacuation of many of these remaining troops and the dissolution of Executive Headquarters left only 6,000 troops, including about 2,000 Marines at the training base at Tsingtao and 750 officers and men connected with the Army Advisory Group for the training of Chinese armies. A large part of the 6,000 was evacuated in June 1947. The January announcement signalized the end of efforts by the United States to mediate between the two Chinese groups and the removal of the stabilizing influence in China afforded by the presence of American armed forces. It did not in itself mean the withdrawal of other forms of American aid such as the military mission to assist

in the modernization of China's armed forces, economic aid and relief, and normal diplomatic aid.

18. Meanwhile, a political consultative conference, composed of representatives of the Kuomintang, the communists, the minority parties, and some nonparty Chinese had met at Chungking early in 1946 to make recommendations for a constitution and to arrange for the calling of a National Assembly that would complete the constitution. Before the completion of deliberations on the proposals, disagreements broke out in the Conference, mainly on the issue of calling a National Assembly. Although an agreement was reached, it appears never to have been ratified. When Chiang Kai-shek finally summoned the Assembly on his own initiative, he came out in favor of a constitution following the conference recommendations, which had been based largely on the fundamental teachings of Dr. Sun Yat-sen. The constitution, as adopted by the National Assembly in December 1946, was promulgated on January 1, 1947 to become effective on December 25, 1947. It provides for the equality of all persons and racial groups and guarantees personal rights and liberties. It specifies that the National Assembly shall exercise political power on behalf of the whole body of citizens, shall elect and recall the President and Vice-President, and may amend the constitution or ratify amendments proposed by the Legislative Yuan. The government thus to be established may be described as a mixed presidential and parliamentary type of government.

19. Following the promulgation of the constitution, the government announced its intention to proceed step by step to implement the constitution and to broaden the base of the government. All parties and groups were invited to take part in the State Council and in the Legislative, Executive, and Control Yuans. The invitations to membership in the Legislative and Control Yuans were accepted by the Democratic Socialist party and by the Youth party; but both these parties declined membership in the State Council and the Executive Yuan because it involved the sharing of political responsibility. The communists, who have so far rejected all overtures by the government for negotiations, refused the invitation in its entirety, insisting upon the resumption of military positions as they were on January 13, 1946 and upon the abolition of the constitution.

20. Although these changes have brought into the government new personnel unaffiliated with the Kuomintang, there has been no apparent move to liberalize the government or to correct existing abuses. There is little evidence that the Chinese leaders are taking substantial practical steps to implement their paper programs of reform. Chinese officials have even expressed doubts that the elections promised for December 25 of this year will be held--because of the critical internal situation.

21. The steady deterioration of the political and military situation of the National Government is paralleled by the increasingly chaotic economic situation. At the end of August 1947, the Chinese dollar was quoted on the open market at Shanghai at 38,500 Chinese dollars for one United States dollar as compared with 2,500 to 1 about a year ago. 2/ In a little less than eighteen months, the cost of living in Chinese dollars of workers in Shanghai was increased about fourteen times. 3/ The cost of living for Chinese workers in terms of Chinese currency had an

index number in 1947 of 3.1 millions as compared with 100 in 1936. 4/ During the first five months of 1947, exports from China amounted to only 73.8 million United States dollars as compared with imports valued at 271.3 million dollars. 5/ The import trade is now being slowed down by government restrictions aimed at reducing the adverse balance of trade, and the revival of export trade is impeded by high production costs under present unstable and disturbed conditions. China's economic difficulties are the result of eight years of devastating war, superimposed upon the effects of previous years of turmoil, and heightened by the heavy drain upon the national budget for military expenses and worsened by the inability of the government to control black markets or to carry out administrative reforms, especially in the field of taxation and finance.

22. American business in China is at a standstill and American commercial interests have complained of discrimination by the Chinese authorities in the granting of foreign exchange permits. They also complain of measures by the Chinese government which operate more comprehensively to deny them general equality of commercial opportunity.

23. The National Government has now apparently abandoned further hope of negotiating with the communists and has decided that the country can be saved only by resolute action, including a "war to the death" with the communists. The government issued an order calling for the arrest of Mao Tze-tung, the communist leader, who, however, cannot be reached as he is with the communist forces. Climaxing a series of government resolutions dealing with the new policy, President Chiang Kai-shek in an address on June 6, 1947 made an impassioned attack upon the communists and an appeal for a new dedication of the Chinese army to the struggle ahead. He declared that if the communist rebellion was not speedily suppressed, it would be impossible to realize constitutional democracy and to ensure the unity and security of the nation. Accordingly, he proposed that the State Council order a general mobilization of the nation and encourage the people to help in its execution.

24. On September 9, according to press reports, Chiang Kai-shek told the Central Executive Committee of the Kuomintang party that after twenty years of his leadership he saw only chaos around him and that he had failed Sun Yat-sen. He berated the party leaders for low morale and corruption and expressed the belief that the Kuomintang would gain the people's support if it would clean its own house. On the same occasion Premier Chang Chun is reported also to have denounced official incompetence and corruption and to have pointed out that the National Government had a deficit of thirty trillion Chinese dollars (about 660 million United States dollars). The Premier is also said to have urged that the Chinese do their best to help themselves without relying upon others and to have disclosed that the Chinese government intended to ask the Soviet government to adhere to treaty terms and halt what he called large-scale assistance to the Chinese communists.

25. So far as has been reported, neither President Chiang nor Premier Chang gave particulars of the corruption and incompetence among officials concerning whom they made such sweeping charges. Apparently the charges were not founded upon any general judicial investigation, nor have

they been followed by any public demand for an investigation or for administrative action. In China it is common knowledge, however, that largely as a result both of a breakdown in morale following the war and of the sharp decreases in the purchasing power of official salaries, abuse of the traditionally accepted practice of "squeeze" has increased. Perhaps the original form taken by the "squeeze" was the pocketing by an official of a modest percentage of the revenues that he collected. Other forms that have developed are the swelling of payrolls by nonworking personnel and the selling of official privilege. The present trend in China toward the nationalization of certain strategic industries and the increase in government control over business lends itself to new adaptations of the system of "squeeze," such as the taking of bribes by officials when granting contracts, issuing exchange permits, or conferring other privileges, and the participation by officials as silent partners in privileged businesses. Incompetence in government arises partly from the practice of buying office, partly from the exigencies of the family system which impel officials to find jobs for relatives, partly from a general lack of discipline, and partly from lack of system and orderliness in the recruitment, training, and advancement of civil service personnel.

B. POLICY OF THE SOVIET UNION

26. China's difficulties have been complicated by the policy that the Soviet Union has pursued since the termination of hostilities with Japan. The Soviet Union, which has withdrawn its forces from elsewhere in Manchuria, continues to hold Dairen although the Chinese-Soviet Treaty of August 14, 1945 provides that Dairen should be a free port under Chinese administration, and open to the trade of all nations. The Soviet Union was granted rights of military administration over Dairen in time of war and a lease for thirty years of half of the port facilities free of charge. On December 12, 1946 the Soviet authority in Dairen peremptorily ordered away an American courier ship that had entered the port. The United States government on January 3, 1947 sent notes to the Chinese and Soviet governments urging them to consider the "current unsatisfactory situation with regard to the status and control of the port of Dairen," and stating that it saw "no reason why there should be further delay in reopening the port, under Chinese administration, to international commerce as contemplated" in the Chinese-Soviet Treaty of August 14, 1945. 6/ Hope was expressed that normal activities would soon be established at Dairen so as to permit American citizens to visit and reside there. On February 1, 1947 the Chinese government replied to the American note, agreeing with the American views and promising continued efforts in that direction. Finally, on February 27 the Soviet government replied, stating in effect that it was prepared to take appropriate steps to execute the agreement in regard to Dairen. The United States rejoined with new notes welcoming the declarations made and expressing the hope that the necessary arrangements would be made in the near future.

27. Notwithstanding the assurances given, and despite a renewed protest to the Soviet Union by the United States in a note of August 14, 1947, the former has so far failed to carry out its engagements with respect to Dairen. On June 25, 1947 China lodged a protest with the Soviet Union because of the latter's continued refusal to permit the establishment

of Chinese authority in the Dairen and Port Arthur areas of Manchuria. The Chinese government pointed out that in the China-Soviet Treaty of 1945 the entire Port Arthur naval base area had been set aside for the joint use of the Soviet Union and China, and it rejected the Soviet argument that because the war against Japan had not formally ended Chinese troops could not be permitted to enter Dairen. On the other hand, while the Chinese-Soviet Treaty provided for joint ownership and operation of the main Manchurian railroads, that provision of the treaty relating to joint operation has never been put into operation, and the Chinese continue to operate and control the railroads.

28. Many Chinese leaders have charged that the Soviet Union turned over to the Chinese communists in Manchuria virtually all war material taken from the Japanese army, and that this, as well as other equipment and supplies made available by the Soviet government to the communists, made possible the recent communist offensives that have placed the forces of the National Government in the present critical position. The Chinese state that their lack of access to the port of Dairen is a serious handicap to their military operations. On August 20 the Chinese government announced that it was investigating persistent reports that Soviet vessels were engaging in traffic between Dairen and points in Shantung Province held by the communists. Later, the Chinese government ordered the port of Dairen closed, an order which it was powerless to enforce, and it pointed out that, whether Dairen was open or closed, foreign vessels were not permitted to engage in China's coastwise trade.

29. The Soviet Union has not lived up to Mr. Molotov's promises to render assistance to the National Government with "material resources." In fact, immeasurable damage has been done to the Chinese economy by the Soviet stripping of factories in Manchuria. In June 1946 Mr. Pauley, the United States Reparations Commissioner, estimated that the removal of equipment had incapacitated 2 billion dollars worth of industry and that it would take China at least a generation to make good the loss.

30. Dr. Sun Fo, Vice-President of China, who heretofore has had the reputation of being friendly to the Soviet Union, asserted in a press interview on June 20, 1947 that the Soviet Union was aiding the Chinese communists. He issued a warning that unless China received large-scale economic aid and military supplies from the United States to halt the march of communism and the spread of Soviet aggression the ultimate outcome might be a communist China. The same Dr. Sun Fo, in a press interview on September 16, is said to have described United States policy in the Far East as one of "vacillation, uncertainty, and confusion," and to have observed that it was leaving China with little choice except to seek closer Soviet co-operation. 7/

C. PRESENT POLICY OF THE UNITED STATES

31. As previously noted, just prior to the Moscow Conference on December 15, 1945, the President of the United States issued a statement on the United States policy of extending aid to China. In this statement, the President said:

> "The United States is cognizant that the present National Government of China is a 'one party government' and believes that peace, unity, and democratic reform in China will be furthered if the basis of this Government is broadened to include other political elements in the country. Hence, the United States strongly advocates that the national conference of representatives of major political elements in the country agree upon arrangements which would give those elements a fair and effective representation in the Chinese National Government...
>
> "As China moves toward peace and unity along the lines described above, the United States would be prepared to assist the National Government in every reasonable way to rehabilitate the country, improve the agrarian and industrial economy, and establish a military organization capable of discharging China's national and international responsibilities for the maintenance of peace and order. In furtherance of such assistance, it would be prepared to give favorable consideration to Chinese requests for credits and loans under reasonable conditions for projects which would contribute toward the development of a healthy economy throughout China and healthy trade relations between China and the United States." 8/

32. Between the years 1941 and 1945 United States financial assistance to China had consisted principally of a loan of 500 million dollars in 1942, lend-lease assistance in the amount of 1.335 billion dollars, and surplus property worth 943 million dollars that had been sold on favorable terms to the Chinese government, in addition to large quantities of supplies sent into the country by UNRRA and private relief groups. Following General Marshall's return to the United States temporarily in March 1946, when he reported the truce agreement and related agreements that had been reached by the National Government with the Chinese communists in January 1946, the Export-Import Bank earmarked a total of 500 million dollars for possible credits to China. This sum was in addition to approximately 66 million dollars authorized as emergency measures for six specific projects, chiefly for the purchase of raw cotton, ships, and railroad repair material. According to a statement made by President Truman on December 18, 1946, in the course of which he discussed the question of loans for reconstruction projects in China, "agreement to extend actual credits for such projects would obviously have to be based upon this government's policy as announced on December 15, 1945." 9/ None of the 500 million dollars that had been earmarked for China was released, and the availability of the fund lapsed on June 30, 1947.

33. The following table, compiled from figures contained in the Report of Activities of the National Advisory Council on International and Financial Problems to March 31, 1947, shows the amount of aid given by the United States to China as compared with that given to certain other countries between mid-1945 and the end of 1946:

UNITED STATES AID TO CERTAIN FOREIGN COUNTRIES
(In millions of dollars)

	China	France	Italy	Netherlands	United Kingdom
Government loans available July 1, 1945 to Dec. 31, 1946, including unutilized balance June 30, 1945	247.6	1,950.9	205.4	375.3	4,435.0
Civilian supplies	---	---	215.6	---	---
Lend-Lease, Sept. 2, 1945 to Dec. 31, 1946	711.7	---	---	---	---

34. Notwithstanding the suspension of large-scale financial assistance by the United States to China following the policy announced by the President on December 15, 1945, active interest of the United States in China continued. On June 30, 1947 the United States government announced that 130 million rounds of small arms ammunition had been sold to the Chinese government at one tenth of the procurement cost. Although this amount of aid is unlikely in itself to contribute much to turn the scales in the Chinese civil war, other arms-producing nations such as the United Kingdom and Belgium might now feel freer to sell China military supplies provided that China can find the necessary foreign exchange to pay for them.

35. In July 1947 General Wedemeyer, who had been in command of the United States Army in the China Theater during the course of the war, was sent with a staff of experts to China on a presidential mission to ascertain the facts pertinent to the political, economic, and military situation. On arriving at Nanking, General Wedemeyer was quoted by the press as having said that he would make an appraisal of the over-all situation in China (and Korea) with regard to rehabilitation in the foreseeable future and that "we are interested particularly in learning and seeing something of the efficacy of the measures taken by the Chinese Government looking toward Chinese recovery." 10/

36. Just prior to his departure from China on August 24, 1947, General Wedemeyer issued a statement, which indicated the nature of the report he would probably make to the President. He observed that he found in many quarters an abject spirit of defeatism, a disposition to blame outside influences for China's plight, and a willingness to seek outside assistance; rather than a spirit of Chinese determination to seek a solution to its problems by using its own physical resources, which could in large measure effect its rehabilitation. General Wedemeyer in discussing the question of political unity, indicated that both the communists and the National Government were to blame for the present state of affairs. He expressed the view that if the communists were sincerely interested in the well-being of China they would voluntarily desist from attempting to impose their ideologies by force. In addressing the National Government, General Wedemeyer referred to the large number of officials whose conduct was marked by greed or incompetence or both. He then pointed out that the National Government could win the undivided and enthusiastic support of

the majority of the Chinese people by the removal of incompetent and corrupt officials from office. General Wedemeyer stressed the necessity for the National Government to institute drastic reforms immediately if it is to regain and maintain the confidence of the Chinese people. He emphasized that performance was absolutely necessary, for promises would no longer suffice, and the National Government could not rely on military force in itself to eliminate communism.

Footnotes

1/ "Treaty between the United States of America, Belgium, the British Empire, China, France, Italy, Japan, the Netherlands, and Portugal" (The Nine Power Treaty). Treaty Series No. 723. Washington, 1937. pp. 4-5.

2/ *Foreign Commerce Weekly*, Vol. XXVIII, No. 13 (Sept. 27, 1947), p. 17.

3/ *Foreign Commerce Weekly*, Vol. XXVIII, No. 6 (Aug. 9, 1947), p. 13.

4/ *Foreign Commerce Weekly*, Vol. XXVIII, No. 13 (Sept. 27, 1947), p. 17.

5/ The same, pp. 8-9.

6/ *The Department of State Bulletin*, Vol. XVI, No. 394 (Jan. 19, 1947), p. 127.

7/ *New York Times*, Sept. 17, 1947.

8/ *The Department of State Bulletin*, Vol. XIII, No. 338 (Dec. 16, 1945), p. 946.

9/ *The Department of State Bulletin*, Vol. XV, No. 391 (Dec. 29, 1946), p. 1181.

10/ *The Department of State Bulletin*, Vol. XVII, No. 427 (Sept. 7, 1947), p. 476.

PROBLEM PAPER "C"

THE PROBLEM OF CHINA

MEMORANDUM ON THE ISSUES AND ALTERNATIVES

1. In the light of the position which China occupies in East Asia, it is clear that the future of East Asia as a whole or of any of its component parts is intimately bound up with the future of China. The prospects of a peaceful and prosperous East Asia would be greatly enhanced by the existence of a China able and willing to co-operate effectively toward that end. The United States must therefore integrate its China policy with its policy for the Far East as a whole. It had hoped, banking upon the traditionally nonaggressive character of the Chinese people, that after World War II China might supplant Japan as the leader of East Asia and become a cornerstone of the structure of world peace in that part of the world. It was in part for this reason that the United States took the lead in obtaining recognition of China as one of the Big Five. Continued disorder in China would not only thwart that purpose; it would also constitute a serious obstacle to economic recovery and stability everywhere in the Far East and create a power vacuum, which is generally a source of international instability. The existence of such a situation would be a serious detriment to American interests throughout the Western Pacific area. Until the Japanese peace treaty is concluded, flexibility in policy toward China is called for. The United States would then be prepared to make such adjustments as might be necessary in the light of the settlements for Japan, because they might affect the entire Far East.

2. The probable effects of the future peace settlement for Japan have an important bearing upon China's prospects of recovery. The benefits that may be expected to accrue from the interim reparation removals*of Japanese plant already earmarked for China may be augmented by further reparations when a definite peace settlement is made. Although the removal of plants and equipment from Japan should aid the economic reconstruction of China, it is questionable whether China in its present disorganized state can take full advantage of these acquisitions. Unless China succeeds in pulling itself together, it is questionable whether it can meet Japan's future industrial competition; for Japan, with its organized and disciplined labor force and trained technicians, may be expected to forge ahead industrially once the peace settlement has eliminated the uncertainties now existing regarding the permissible level of Japanese industry. Chinese leaders have frequently expressed concern over this prospect.

3. United States policy toward China must also be integrated with its global policies. If, for example, the United States should be compelled, because of limitations upon its capacity to meet needs everywhere, to choose between its political, economic, and strategic interests in the Far East and those in Europe, it would have to consider whether its interests in Europe were more important than those in the Far East and whether the expenditure of funds and efforts in any given area of Europe offered prospects of yielding better returns than in China. An aspect of the China problem that is peculiarly illustrative of global implications is that relating to

Manchuria. The potentialities of Manchuria and its strategic position give it a special importance in the Far East. Its agricultural and mineral wealth offer great potentialities for development. Its strategic importance is two-fold. It is the eastern gateway to China proper and it lies across the pathway of Russian access to warm-water ports in Asia. As a result, Manchuria has been the object of conflict and struggle between China, Russia, and Japan for half a century. If it should now fall under Soviet control, it could, if combined with the Soviet Maritime province, constitute a practically self-sufficient political and military unit. If the Chinese communists should succeed in establishing themselves there securely, it might enable them to consolidate their power throughout North China as far south as the Yellow River. China would then continue to face the same obstacles to building up a sound economy that it has faced since the detachment of Manchuria from China by Japan in 1931. This would adversely affect the achievement of United States objectives in relation to China, and consequently the future development of the situation in Manchuria is of great concern to the United States. Although the Chinese communists are today effectively denying the Chinese government the economic benefits of Manchuria, the issue of its detachment from Chinese sovereignty has not yet arisen.

4. It has already been pointed out that efforts on the part of the United States to contribute to Chinese national unification through mediation of the differences between the National Government and the communists have thus far met with complete failure. Further prospects of accomplishing anything in that direction would now seem to be ended by the decision of the National Government to settle the issue by force. The extensive United States diplomatic, financial, and military aid already given has so far proved ineffectual in arresting the steady deterioration of the situation in China. It is therefore essential that the United States now consider how best to use available means and methods for dealing with the problem created by the present situation in China.

A. THE MAJOR ISSUE

5. In considering what might best be done, it seems clear from a study of the underlying factors that the situation in China is a vicious circle in which civil strife has been, and is likely to remain, chronic as long as conditions of political and social injustice, maladministration, and dire economic want prevail. Injustice and maladministration are inevitable under Chinese militarism, which owes its grip upon the country to the prevalence of civil strife. As long as the straitened national finances keep salaries of civil servants below the subsistence level, venality is encouraged and efficiency impaired. Economic recovery in turn is dependent largely upon the cessation of civil strife and upon the establishment and maintenance of orderly and efficient government. This would seem to point to the conclusion that there is no single key to the solution of China's ills and that the country can be made healthy only through a gradual process of applying both internal and external remedies directed toward alleviating the condition of many afflicted parts, having due regard both to immediate relief and to permanent cures.

6. The problem of China therefore poses the issue:

> Is action advisable by the United States, unilaterally or collectively, to prevent further deterioration of the situation and to lay the foundations of future peace and progress in China?

B. THE MAIN ALTERNATIVES

The issue presents for consideration three main alternatives.

Policy of Doing Nothing

7. The first alternative may be stated as follows:

> To adopt a deliberate policy of not attempting to influence the internal political situation in China by special United States action but of letting matters take their course.

8. A policy thus defined would not rule out action of a character that is normal in the relations between friendly states, such as diplomatic support in China's international relations or projects for economic collaboration regarded as sound business risks and not dictated by political considerations. It would, however, differ from one of tactical inactivity adopted temporarily and designed to spur the Chinese to compliance with United States desires or demands.

9. The principal argument in favor of adopting a policy of refraining from attempting to influence the internal political situation in China is that it would relieve the United States of the heavy burden of expense and responsibility incidental to a more positive policy. It would also go far toward eliminating a basis for the criticism that the United States is meddling in China's internal affairs. It is even argued that, in view of the formidable difficulties in the way of making aid to China productive of results, the United States might do better to try to build up Japan rather than China as a bulwark of peace in the Far East. But apart from the objection in equity to this argument, it overlooks the very important fact that much of Japan's past pre-eminence in the Far East rested upon easy access to China's raw materials and markets. This would suggest that it might be illusory to expect Japan to make rapid strides toward recovery while chaotic conditions prevail in China.

10. The argument in favor of a policy of doing nothing would have greater weight if the United States could secure effective agreements from other interested powers that they too would follow a "do-nothing policy" that would afford China an untrammeled opportunity to solve its own difficulties. In the light of past experience, however, it is doubtful whether pledges of such a character from the Soviet Union, even if those given at the Foreign Ministers' Conference at Moscow in December 1945 were to be renewed and reinforced, could be relied upon. It would be unrealistic under any circumstance to disregard the risk of opening the door to Soviet penetration into China attending the adoption by the United States of a policy of doing nothing.

11. A policy of doing nothing would almost inevitably involve a long and painful period of convalescence before China could by itself expect to emerge, if ever, as a united, stable, strong, and democratic nation. At the worst, the ultimate results would be the collapse of the National Government, the advent of a communist regime under Soviet influence, if not control, a disastrous loss of United States prestige in Asia, and the emergence of a serious threat to all the interests of the United States in the Western Pacific area. At the best, assuming either that Soviet objectives in China, unlike those that have been revealed in other areas, are free from an ambition for domination, or that the exercise of full control over China is likely to prove nearly as difficult for the Soviet Union as it was for Japan, a policy of doing nothing by the United States would result in prolonged civil strife and continued political and economic chaos that would operate against the restoration of stable conditions everywhere in the Far East.

Special Assistance to China

12. The second alternative is:

> To make available to China special political, economic, and military assistance, with the minimum aim of preventing further deterioration of the situation, and the maximum aim of terminating civil strife and furthering Chinese reconstruction and reform.

13. Special assistance by the government of the United States to China would, of necessity, have to be limited to that accorded by agreement with the National Government, which is recognized by the United States and other nations as the legal government in China. President Truman has affirmed that the National Government is the proper instrument to achieve the objective of a unified China. So long as the United States recognizes the National Government as the legal government of China, to deal with any other faction or regime would be inconsistent and would also be likely to add still another disruptive influence to the situation.

14. The United States might choose to confine assistance rendered to or through the National Government to measures designed to improve conditions in China generally without prejudice to the position of any particular faction or regime in China. By the very nature of things, however, it would be practically impossible to devise a program that would operate in such a way, since any form of diplomatic, military, or economic aid would tend to strengthen the National Government and the areas under its control relative to any other regime or area. Moreover, it is difficult to see how any program of assistance so conditioned would be likely to contribute materially to stopping civil strife in China, which is one prerequisite to the attainment of stability and progress toward reconstruction.

15. Assistance to the National Government may be given unconditionally or conditionally. As the term is used here, it denotes conditions other than those directly related to the assistance accorded. That is to say, a loan made solely with the normal provisions regarding the purpose of the loan, the rate of interest, or the method of redemption is here considered unconditional assistance. Only if the loan were made

contingent upon the assumption by the National Government of collateral and extraneous obligations, such as an undertaking to carry out specified administrative or political reforms, would the loan be considered conditional assistance. In the case of conditional assistance, the nature of the conditions that would be acceptable both to the National Government and to the United States is obviously of the utmost importance.

16. The principal arguments in favor of a policy of continuing United States assistance to the National Government, leaving aside the question of conditions, are: (1) it would constitute a positive course of action, aimed at enabling China to keep on its feet and to move toward unity, stability, strength, and democracy, thus lessening the risks involved in a policy of "doing nothing"; and (2) it would also be free from the objections inherent in a policy of intervention.

17. A principal objection to a policy of continuing assistance to China is that assistance already given has been so ineffectual that there is some question whether the United States would be warranted in increasing the amount of its aid, or even in continuing aid on the scale heretofore given, without definite evidence that it was producing results, or was likely to do so in the immediate future. It is necessary to ask the same question in the case of United States aid to other countries. Other objections are that grave doubt exists whether adequate co-operation from the Chinese government would be forthcoming to make that aid effective; that by assisting the National Government of China the United States is aiding corrupt and incompetent elements and is helping to maintain a government incapable of standing on its own feet.

18. In the event that aid is to be continued, the question would remain whether it should be unconditional or conditional. The former would have the advantage of enabling the United States to avoid being placed in the position of having to judge the merits of internal issues in China; the applicability to Chinese conditions of particular means and methods that commend themselves in United States experience as likely to attain the desired ends; and the capacity of the Chinese to fulfill a particular condition that appeared appropriate or necessary.

19. Objections to unconditional aid, based upon past experience, are that the Chinese government leaders are not likely to be disposed, on their own initiative, to take resolute measures indispensable to effective use of United States aid. After all, outside aid can be effective only if the Chinese government itself is able and willing to set its face definitely in a direction calculated to give China strength, stability, and unity. Moreover, a policy of unconditional aid might arouse criticism on the score that American assistance would serve merely to keep in power reactionary elements in the National Government.

20. Continuation of assistance to the National Government involves all the elements that have so far characterized American efforts in that direction. It comprises political, military, and economic factors. It raises also the question of the magnitude and duration of the assistance to be rendered. It calls for the formulation of a comprehensive plan, the requirements of which the leaders of the National Government would be

willing and able to fulfill, and the magnitude of which would be acceptable to the United States.

21. The first fundamental objective of such a plan is clearly the establishment of a united, stable, and reasonably efficient government. In this connection, the United States might insist, as a condition to its aid, on the rapid introduction of democratic institutions and processes in China. This might be done on the argument that the essential democracy of the Chinese social system and the British success in introducing some degree of local self-government in the colony of Hong Kong both point to the probability that the Chinese people are capable of managing their local affairs to a greater degree than that now permitted under the National Government. Yet, in order to attain a political democracy on a national level that would represent more than a facade, it would seem that China must bridge an enormous gap in political traditions and experience and overcome the heavy handicap of illiteracy, low standards of living, and inadequate means of communication. It would be unrealistic to ignore this brake on the rate of progress.

22. Alternatively, the United States might insist only that the National Government broaden its basis to include fair and effective representation of all major political elements. Insistence on this, however, would call for a judgment by the United States on whether fair and effective representation is in fact being offered to all major political elements. It is, moreover, questionable whether the United States is in a position to pass upon the merits of the conditions for participation in a coalition government that the National Government offered to the communists, or of the counterproposals made by the communists, or of the reasons for the National Government's rejection of those counterproposals.

23. The United States might try to insist merely on the removal from the National Government of any reactionary officials who are obstructing efficient administration and reform. The imposition of this condition would in many instances present formidable difficulties to the National Government. Political office in China rests in the ultimate analysis not on votes but upon leadership of or influence in a faction wielding actual power. A particular officeholder himself may of course hold his job only by virtue of close ties by blood or otherwise with some influential personage. Chiang Kai-shek owes his position to his ability to hold a balance of military power among powerful factions. That balance might be upset by defections from temporary allegiance to him. He therefore could not afford to risk upsetting the situation by action likely to alienate the support of powerfully placed individuals or groups. The risk involved would not be merely of replacing one autocratic group by another, but the disintegration of central authority altogether. Before the Japanese attack on China in 1937, Chiang counted upon the modern-minded elements in the middle class, which controlled business and industry, for support of his program to modernize the country. With the economic basis of the middle class shattered by the war, he has had to fall back upon the most conservative element in Chinese society for support--the agrarian landowners--since the government must rely upon land taxes as its financial mainstay.

24. In all three of the foregoing examples of possible conditions which might be attached to the granting of assistance, the United States might insist that American advisers be invited by the National Government to participate in the work of the key departments and offices in an effort to improve governmental efficiency. American citizens have performed such functions in China and in other countries. Similarly, American military advisers might be assigned to the Chinese armed forces, as is now being done in Greece.

25. Although China maintains armed forces numbering millions, they are wholly ineffective as an instrument of modern warfare. China's military weakness lies in the lack of co-ordination of the various units under an efficient staff organization, a paucity of officers trained in military science, and a rank and file which, because of inadequate equipment, poor leadership, and deficient rations and care, is generally of low morale and stamina. The poverty of the country is also a handicap to providing adequate mechanization and equipment. Nevertheless, it has been demonstrated that the Chinese when adequately equipped, properly trained, and competently led make good soldiers and are conspicuous for bravery and endurance. While reliable figures are not available, the armed forces under the banners of the National Government are probably incomparably superior in numerical strength to the communist forces. The fact that the latter have been able to hold their own in the civil struggle is doubtless due largely to their greater mobility, better discipline and leadership, higher morale, and possibly more adequate equipment, as well as to the character of the warfare.

26. Military aid to the National Government, consisting of missions to advise on staff organization and to train officers, and supplying modern equipment might be of great value in building up a military machine capable of suppressing internal revolt and of resisting external aggression. As a matter of fact, there is now in China an American Military Advisory Group, composed of an American personnel of about 750, which is engaged in reorganizing the National Defense Ministry and the Chinese Military Academy. It has established four training schools and prepared a long-range program designed to raise the effectiveness and educational standards of the Chinese armed forces. The functions of this American group are chiefly to advise and supervise. Only in one of the training schools, that of the air force, is it engaged in actual training. The value of the aid thus afforded will depend largely on how closely the advice of the American group is followed and on the quality of the personnel selected by the Chinese for officer training. It has frequently been pointed out that China might do better to disband a great part of her armies and concentrate upon providing superior training and equipment for a smaller force. But many a general, whose forces represent a personal following, might be reluctant to cast loose henchmen and dependents who look to him for support and in turn contribute to his political power. The institution of a strict merit system in the selection of officers for training would cut across the widespread practice of nepotism, which stems from the Chinese family system.

27. The subject of military aid to China also raises the question whether it should be restricted to furnishing advice, training, and equipment or whether it should include making available combat contingents if

the National Government should so request. The possibility of the more inclusive scope of military aid is not likely to be given serious consideration so long as China is called upon to deal with only an internal situation. In the first place, there would probably be serious opposition in the United States to furnishing combat contingents for such a purpose. Secondly, if China were unable with aid short of combat assistance to cope with the situation, it is doubtful whether the gains that might be achieved by providing combat assistance would be deemed to be worth the price. If China should be attacked or be in imminent peril of attack by a foreign power with unlimited objectives of conquest and domination, a decision on whether United States combat contingents should be provided would call for consideration of whether aid short of combat assistance would meet the situation and whether vital United States security interests were at stake. There would have to be full recognition of the probability that the assignment of combat troops to China under such circumstances would mean war with the aggressor nation.

28. Political and military reconstruction conditions, and is conditioned by, economic factors. The problem of inflation is critical. While the economic consequences of inflation are apparent from day to day, its dangerous political consequences may not become apparent until it is too late to arrest them. Inflation is related to deficits in government finance caused by expenditures for war preparations and for military operations in civil strife. The course of political and military reconstruction therefore exerts a powerful influence on economic conditions and developments. The establishment of national unity and the removal of external threats to China's peace, which have been the aim of the United States since its entry into World War II, are prerequisite to a fundamental cure. Conversely, whatever can be done through financial and economic measures to curb inflation will tend to promote political stability. The essential measure is to balance the budget, but this presents serious difficulties pending repair of war damage and recovery of production and trade. It would require a thorough overhauling of the tax system and other financial and economic reforms, all of which are hard to effect in the present state of China. It has been suggested that there should be a drastic devaluation of the currency, but this by itself without parallel supporting action along the entire front would achieve nothing. While financial stabilization depends primarily upon action taken internally, external aid, such as would be afforded by governmental credits or the investment of foreign capital in development projects, is regarded by many as requisite to meet the needs of the situation.

29. With regard to possible collective measures of assistance, consideration might be given to a revival--perhaps in a revised form and with more extensive functions and authority--of an Anglo-American-Chinese Stabilization Board, which operated effectively in the early stages of World War II. Such an agency might provide a medium for practical Anglo-American co-operation in aiding China; assist the Chinese to control inflation by making credits available to assist the government in balancing its budget; and give the Chinese a compelling incentive to introduce reforms by making the availability of credits conditional upon the institution of specific measures of reform. While at the present moment the United Kingdom is not in a position to contribute substantial material aid, it could play an important part in a co-operative effort involving the provision

of expert advisers, and it could be counted on for joint action, if for no other reason because it has much greater commercial and financial interests than the United States in China. The possibilities of wider collective economic assistance, such as might be afforded through the International Bank, might also be considered.

30. Consideration needs to be given to a course of action in which, instead of taking the initiative in establishing the conditions on which aid would be granted, the United States might leave it to China to draw up, as the basis of a request for aid, a program of measures that they propose to take for the recovery of China. In accordance with this procedure the Chinese might be informed that the United States would reach a decision on the question of assistance only after it had examined the Chinese proposals. This would be in keeping with the Marshall Plan for assistance to Europe, and even if there were no formal consultation between the two governments while the Chinese were formulating their proposals, there would still be room for revision by negotiation to meet United States views after the program had been examined. A procedure of this kind would diminish the possibility of conditions being imposed that were unsuited to China or beyond its capacity to fulfill. At the same time the responsibility would be placed squarely on China to come to grips with its own problems of political and economic reconstruction. Furthermore, it would be free from the pitfalls and disadvantages, especially those stemming from the Chinese genius for passive obstruction and from a growing Chinese xenophobia, which would lie in the way of foreign supervision, control, and interference.

A Policy of Intervention

31. The third alternative is:

> To intervene in China as a means of terminating existing civil strife and paving the way for the establishment of an efficient and progressive government.

32. Professor Hall, in his Treatise on International Law (3rd Ed., p. 281) says: "Intervention takes place when a state interferes in the relations of two other states without the consent of either or both of them, or when it interferes in the domestic affairs of another state irrespective of the will of the latter for the purpose of either maintaining or altering the actual condition of things within it." Action by the United States in China at the invitation or with the consent of the recognized government of China would not be intervention as thus defined. Arguments in favor of a course of intervention focus on the difficulty of bringing about the reconstruction of China along lines that lay the foundations of stability and progress, so long as the civil war continues. On the other hand, even if the country were once pacified, there could be no assurance that it would be free from the recurrence of civil strife if the people were dissatisfied and believed that only through revolt could they expect to get a government committed to placing the interests of the people before the selfish interests of a governing clique. Consequently, intervention in order to serve United States objectives in China would have to envisage the establishment of a government composed of elements most likely to provide an honest and efficient administration. Such a government might be formed by excluding the reactionary elements now in positions of power in favor of liberal forces.

33. Liberal forces in China, although now weak and divided, comprise many intelligent, earnest, and honest patriots who under peaceful conditions might be capable of serving the country well. Many Chinese of liberal views have gone over to the communists because they have despaired of regenerating China under the National Government. The general lack of popular support for the National Government, which handicaps it in dealing vigorously with the armed opposition of the communists, is often attributed to the same cause. A government in the hands of the liberals, by giving clear evidence that it was earnestly striving to serve the interests of the Chinese people, might gain the support of the many citizens who are now indifferent and care not whether the present National Government collapses and is superseded by a communist regime. On the other hand, in communist China it is believed that the great majority of the inhabitants have no enthusiasm for communist ideologies and practices, but find themselves unable to escape from the toils of a system enforced by a handful of determined leaders. The traditional elements of a class struggle are lacking in China: society is not stratified into classes, and up to the time of the Japanese attack in 1937, the great majority of the people lived in circumstances that were tolerable according to Chinese standards. A peace-loving and individualistic people such as the Chinese do not respond readily to regimentation or to militant communism. It is therefore regarded as conceivable that a new Chinese government might evolve along lines compatible with Western conceptions of democracy.

34. An inherent objection to intervention is the hostility it would inevitably arouse among the Chinese people as a whole. Many Chinese would associate intervention with the kind of imperialistic ambitions of the Western Powers and Japan in China from which they suffered during the past century and from which they had hoped to be permanently free after the abrogation of extraterritoriality in 1943. Intervention would be regarded as a humiliation, and the resentment would be so bitter that it would be a strong barrier to the re-establishment of cordial relations between China and the countries participating in the intervention. Intervention would almost necessarily be of a military character, and it would have to continue until a semblance of order could be established. Even under the most favorable circumstances, it would be a costly operation, but the cost might be especially heavy if Chinese hostility to the program made them unco-operative and obstructive. Such hostility might completely defeat the prospect of attaining United States objectives in China through a course of intervention.

35. If intervention were nevertheless undertaken, it might take the form of unilateral or collective action. Unilateral intervention by the United States or any other nation would be contrary to the United Nations Charter and would play into the hands of a foreign government seeking to discredit the policies of the United States. Moreover, if it were attempted, such a policy might invite vigorous counteraction by the other major nations. Collective intervention by joint action of the other major nations outside the framework of the United Nations would also be contrary to the Charter.

36. Collective intervention within the framework of the United Nations could be undertaken only if the Security Council were to determine that the situation existing in China was a threat to international peace and security. As one of the permanent members of the Security Council, China would be in a position to block such action, and its vote would be cast by the representative of the present National Government, recognized by all major nations as the government of China.

PROBLEM PAPER "D"

THE INTERNATIONAL CONTROL OF ATOMIC ENERGY

STATEMENT OF THE PROBLEM

To determine the measures the United States should take in regard to the international control of atomic energy in the light of the situation existing concerning this matter in the Atomic Energy Commission, the Security Council and the General Assembly of the United Nations.

EXPLANATORY NOTE

1. The problem of the international control of atomic energy was a matter of official concern to the United States government long before the first atomic bomb was dropped at Hiroshima in August 1945. Since that time, the United States has officially insisted that the problem is international in scope and that joint action is necessary. The solution of the problem became a responsibility of the United Nations through the action of the General Assembly of the United Nations on January 24, 1946. In spite of the diligent efforts of the United Nations Atomic Energy Commission since that time, the problem has not yet been resolved. The discussions in the General Assembly and the Security Council have revealed clearly the extreme divergences of view between the Soviet Union and its satellite states and the so-called Western nations on the question of how international control of atomic energy shall be effected. These divergences of view have persisted and have become more emphatic in the debates in the Atomic Energy Commission. The statement of the problem is intended to reflect the present situation in which no solution has been reached and in which the difficulties preventing the solution appear not only in the Atomic Energy Commission but also in the deliberations of the Security Council and the General Assembly.

2. The problem of the international control of atomic energy was selected for detailed consideration from those concerning national and international security because of its broad international scope, its relation to the United Nations, and its urgency. No other security problem has such far-reaching implications for international peace and security and no other could be selected that would demonstrate more effectively the advantages and disadvantages of attempting to reach a solution through the machinery of the United Nations. Secretary of State Marshall underlined the urgency of the problem in his address to the General Assembly on September 17, 1947, when he said that the control of atomic and other weapons of mass destruction has perhaps the highest priority for the achievement of international security if the world is to remove the specter of a war of annihilation.

3. The scientific aspects of atomic energy and the scientific features of control have not been developed in this paper. Attention has been directed principally to the political aspects of international control

since these are of immediate importance if a solution of the problem is to be reached.

4. The "Memorandum on the Background of the Problem", contains the facts and other information necessary to indicate the development of the conflicting views of the majority and the minority ir the Atomic Energy Commission. The First Report of the Atomic Energy Commission is described only briefly since it is now readily available to the public. Because the Second Report of the Commission, dated September 11, 1947, is not yet generally available to the public, it has been briefed or summarized extensively in the Memorandum on the Background of the Problem. The summary records of meetings of the committees of the Atomic Energy Commission contained in some of the annexes to the Second Report have been used, when not "restricted" and where pertinent, as the basis for part of the discussion contained in the "Memorandum on the Issues and Alternatives."

PROBLEM PAPER "D"

THE INTERNATIONAL CONTROL OF ATOMIC ENERGY

MEMORANDUM ON THE BACKGROUND OF THE PROBLEM

A. THE UNITED NATIONS CHARTER

1. The authority and responsibility in the matter of regulation of armaments today are centered primarily in the Security Council of the United Nations by Articles 26 and 47 of the Charter, but the General Assembly is also involved through the provisions of Article 11. Under Article 11, the Assembly's powers are primarily permissive and suggestive for it may consider "the principles governing disarmament and the regulation of armaments" and may recommend on the subject. On the other hand, under Article 26, the Security Council is held directly responsible for formulating plans for a system of armaments regulation.

2. It should be noted that in both Articles 11 and 26, the principle of regulation of armaments is not treated separately but always within the context of the responsibility of the organs of the United Nations to promote the establishment and maintenance of international peace and security. The close interrelationship of these two concepts is not a matter of coincidence; it is deliberate, and epitomizes the realization by the nations of the world both during the inter-war years and after the outbreak of World War II of the importance of armament regulation to the maintenance of peace. The impact of this realization is evidenced by the attention given to the question in the various formal accords reached by the Allied nations during the war.

3. Beginning with the Atlantic Charter in 1941, and culminating in the United Nations Charter of 1945, the United States and the other major nations of the world on several occasions declared the necessity for regulation of armaments and their intention to consider the problem as a necessary concomitant to the establishment and maintenance of international peace.

4. No specific provision is made in the Charter for the problem of the control of atomic energy, since at the time it was drafted, no problem of atomic energy control existed. But the impact of the use of the atomic bomb at the very end of the war was immediately felt by the nations of the world, and especially by the United States. Within four months after the first atomic bomb was dropped, the President of the United States had pointed out publicly the dangerous implications of the bomb and announced to the world that the atomic energy problem must be solved by all the United Nations together. Before the end of 1945, international cognizance of the problem had been taken in the Three-Nation Agreed Declaration of November 15, 1945, and the Soviet-Anglo-American Communiqué of December 27, 1945. The United Nations, through the general implementing provisions of Article 7, paragraph 2, took cognizance of the problem by creating the United Nations Atomic Energy Commission.

B. SIGNIFICANT MEASURES LEADING UP TO THE FIRST MEETING OF THE UNITED NATIONS ATOMIC ENERGY COMMISSION

The Three-Nation Agreed Declaration on Atomic Energy

5. The first specific step in the direction of arriving at some system of international control of atomic energy was taken jointly by the United States, the United Kingdom, and Canada--the three nations responsible for the development of the atomic bomb--in the Three-Nation Agreed Declaration on Atomic Energy signed in Washington on November 15, 1945. The Declaration was inspired by the feeling that the nations possessing the essential knowledge of atomic energy should take the initiative in urging international control, but it was also felt that the responsibility for devising the means of control rested upon all nations alike.

6. The Declaration was preceded by various official pronouncements by the government of the United States which sought to assure the world that, while the United States alone possessed the atomic bomb, such possession was no threat to any nation; it meant no alteration in American foreign policy; and that on the contrary, the United States considered possession of the bomb a sacred trust that the world knew would not be violated. The Government further stated that the problem of international control was so urgent that it could not wait upon formal organization of the United Nations. The timing of the Declaration itself reflected this feeling of urgency.

7. The Declaration expressed the views of the three signatory nations concerning the impact upon the world of the development of atomic energy into a weapon of mass destruction, outlined in general terms the requirements of international control, stressed that disclosure of information should await enforceable safeguards against the use of atomic energy for destructive purposes, and advocated the establishment of a Commission under the United Nations auspices to prepare recommendations on the matter for submission to that body.

8. The three nations agreed that the Commission should proceed in its work by separate stages, and that the successful completion of each stage would develop the necessary confidence of the world for the next stage to be undertaken. The Commission would be expected to make specific proposals: for extending exchange of basic scientific information for peaceful ends; for the control of atomic energy to the extent necessary to ensure its use only for peaceful purposes; for the elimination from national armaments of atomic weapons and of all other major weapons adaptable to mass destruction; for effective safeguards by way of inspection and other means to protect complying states against the hazards of violations and evasions.

9. The Secretary of State later elaborated the position of the United States, maintaining that atomic production secrets would continue to be held as a sacred trust until a system of effective safeguards, by inspection or otherwise, could be developed; and disclaiming any use of the atomic weapon by the United States as a diplomatic or military threat.

The Soviet-Anglo-American Communiqué

10. At the Moscow Conference in December 1945, the United States, the United Kingdom, and the Soviet Union agreed to recommend to the General Assembly of the United Nations the establishment of a Commission to consider the problems arising from the discovery of atomic energy and related matters. They further agreed to invite China, France, and Canada to join in sponsoring the resolution at the first session of the General Assembly to be held in January 1946. The resolution drafted at the Moscow Conference, with certain clarifying amendments, embodied substantially the views of the United States and the United Kingdom. China, France, and Canada at a later date accepted the resolution and agreed to join in sponsoring it in the General Assembly.

11. Since the Moscow communiqué of December 27, 1945, did not stress the safeguarding of the secrets of atomic energy as had the Three-Nation Declaration, some concern was felt in the United States of the adequacy of the Moscow program; but after some consultation between the President, the State Department, and Senate leaders, various pronouncements were issued to clarify the position of the United States. It was made clear that the United States would insist on a system of effective safeguards at every stage of the discussions and before any atomic secrets would be released. This was further emphasized by official statements indicating that the country need have no fear that the United States would be forced to reveal atomic secrets that might be detrimental to its interests, since the proposed Commission would operate under the control of the Security Council,where the United States could use its veto if it became necessary to prevent the disclosure of information considered vital. Moreover, any agreements entered into would require full approval by the United States through the customary constitutional processes.

General Assembly Resolution Establishing a Commission on Atomic Energy

12. The resolution drafted at the Moscow Conference was introduced at the first session of the General Assembly of the United Nations under the sponsorship of the five permanent members of the Security Council and Canada. After a brief committee debate, the report and resolution authorizing the Commission on Atomic Energy were submitted to the full Assembly and approved by it on January 24, 1946, without change and without dissenting votes.

13. Section 5 of the Resolution of the General Assembly relating to the terms of reference of the Commission provides that:1/

> "The Commission shall proceed with the utmost dispatch and inquire into all phases of the problem, and make such recommendations from time to time with respect to them as it finds possible. In particular, the Commission shall make specific proposals:
>
> "(a) for extending between all nations the exchange of basic scientific information for peaceful ends;

"(b) for control of atomic energy to the extent necessary to insure its use only for peaceful purposes;

"(c) for the elimination from national armaments of atomic weapons and of all other major weapons adaptable to mass destruction;

"(d) for effective safeguards by way of inspection and other means to protect complying States against the hazards of violations and evasions.

"The work of the Commission should proceed by separate stages, the successful completion of each of which will develop the necessary confidence of the world before the next stage is undertaken.

"The Commission shall not infringe upon the responsibilities of any organ of the United Nations, but should present recommendations for the consideration of those organs in the performance of their tasks under the terms of the United Nations Charter."

Report on the International Control of Atomic Energy (Acheson-Lilienthal Report)

14. On January 7, 1946, prior to the establishment of the United Nations Atomic Energy Commission, the United States government took steps to institute a study of the atomic energy problem within this country. A committee was appointed by the Secretary of State to prepare a study on the problem. When the study, known as the Acheson-Lilienthal Report, was made public on March 16, 1946, it was made clear by the Secretary of State that the Report was to be regarded "not as a statement of policy but solely as a basis for discussion." 2/ In general the report has been favorably accepted as providing for the special interests of the United States in the existing situation concerning atomic energy.

15. The Acheson-Lilienthal Report set forth two basic conclusions and from these conclusions it made several recommendations. The first basic conclusion was that an international system of control that leaves atomic energy development to nations or their citizens, subject to commitments not to develop or use atomic energy for war purposes, and relies on an international inspection system to detect evasions or violations of the commitment, will not provide security. The second conclusion was that if an international agency was given exclusive jurisdiction over all intrinsically dangerous atomic activities, leaving nondangerous activities to nations and their citizens, and if the international agency engages in an affirmative research and development program, including the furthering of beneficial uses of atomic energy, security prospects are good.

16. The Report recommended the creation of an Atomic Development Authority to be the exclusive agent of the nations of the world in conducting all intrinsically dangerous nuclear operations, which were defined to include all those ranging from the extraction of atomic ores to the production of active and denatured fissionable materials, and also research in raw materials and in the production of fissionable materials and explosives.

17. The Report recommended that the Authority be given exclusive control over three principal activities:

a. continuous, world-wide geological survey for uranium and thorium, and complete control under rigid procedures over such ores;

b. managerial control of production of fissionable materials made from uranium and thorium; and

c. conduct of research in the field of atomic explosives.

18. Nondangerous activities could be carried on by nations and individuals under license from, and with a minimum of inspection control by, the Authority. These activities were defined to include research (except on explosives), production, and use of radioactive tracers, operation of research reactors, and construction and operation of power plants that consume denatured materials. The Authority, by having complete control of primary production plants, would be able to ensure the peaceful character of atomic operations in two ways. First, denatured materials necessary for peaceful application are available only from the operations of the dangerous primary production plants. Second, under the licensing proposals, denatured materials for research or conservation of power reactors would be made available only after Authority approval of the design of the reactors to ensure their safety against conversion to dangerous operations.

19. The Acheson-Lilienthal Report accepted as a fact that United States monopoly of knowledge and material in the atomic field was temporary and could not last. The system proposed, therefore, was designed to substitute for an atomic armaments race a deliberate and planned attempt to establish a system of safeguards against surprise use of atomic weapons. In a larger sense it was a proposal to establish patterns of cooperative effort in a field where such effort is of prime importance.

20. The Acheson-Lilienthal Report made no attempt to propose any system of sanctions to punish those who might violate agreements. It proceeded from a conviction that a system of inspection, superimposed on an otherwise uncontrolled exploitation of atomic energy by national governments, would not be an adequate safeguard and, therefore, the only adequate safeguard was international control of atomic resources and development. From this point of view, the proposed plan would provide warning, after which appropriate action could be taken by the nations of the world, alone or in concert.

C. FIRST REPORT OF THE ATOMIC ENERGY COMMISSION

21. The Atomic Energy Commission began its work on June 14, 1946, and on December 31, 1946, it submitted its first report to the Security Council. The deliberations of the Commission centered around two groups of proposals, those made by the United States and those made by the Soviet Union.

United States Proposals

22. The United States Proposals, based upon the Acheson-Lilienthal Report and set forth by Mr. Baruch, provided for the creation of an International Atomic Development Authority. The Authority would be entrusted with all phases of the development and use of atomic energy starting with raw materials and including managerial control or ownership of all atomic energy activities; power to control, inspect and license all other atomic activities; the duty of fostering the beneficial uses of atomic energy; and research and development responsibilities intended to put the Authority in the forefront of atomic knowledge, thus enabling it to comprehend, and therefore to detect, the misuse of atomic energy.

23. Mr. Baruch further proposed that when an adequate system of control that would include renunciation of the bomb as a weapon is agreed upon and established and when a system of punishments for violations of the rules of control is set up, the manufacture of atomic bombs would stop, the existing stock of bombs would be disposed of, and the Authority would be given possession of full information of the "know-how" for the production of atomic energy. In discussing these proposals, he pointed out that time would be required for the system of control to become fully organized and effective; that the plan of control would have to come into effect by stages; and that means should be set forth in the "charter" of the proposed Atomic Development Authority for the transitions from one stage to the other, as contemplated in the terms of reference of the Commission.

24. Mr. Baruch emphasized that the agreement should provide for immediate and certain penalties for illegal possession or use of an atomic bomb; seizure of any plant or other property belonging to or licensed by the Authority; and creation of operation of dangerous projects in a manner contrary to, or in the absence of, a license granted by the Authority. In discussing the matter of penalties, he stated that the question goes straight to the heart of the veto power contained in the United Nations Charter insofar as it relates to the field of atomic energy. He emphasized that there must be no veto available to protect those who violated their solemn agreements not to develop or use atomic energy for destructive purposes.

Soviet Union Proposals

25. Five days after Mr. Baruch had introduced the United States proposals, the Soviet Representative, Mr. Gromyko, addressed the Commission and put forward the proposals that his government considered essential to the fulfillment of the Resolution of the General Assembly of January 24, 1946. As the primary measure to this end, the Soviet Union proposed a "Draft International Convention to Prohibit the Production and Employment of Weapons Based on the Use of Atomic Energy for the Purpose of Mass Destruction". The proposed convention provided for the prohibition of the production, storing and use of atomic weapons, the destruction of existing stocks within three months of the entry into force of the convention, the condemnation as an international crime of all activities undertaken in violation of its terms, and the passage of legislation by

each contracting state establishing severe penalties for its violation. Mr. Gromyko also proposed a plan "Concerning the Organization of the Work of the Atomic Energy Commission" that provided for two committees. One committee would deal with the elaboration of recommendations concerning the exchange of scientific information; the other would elaborate recommendations concerning the drafting of a convention outlawing atomic weapons and prohibiting the production and use of atomic weapons and other weapons of mass destruction; concerning the quest for and establishment of measures to prohibit the use of atomic weapons and the prevention of the use of atomic and other weapons of mass destruction; concerning the control of atomic energy and the enforcement of the prohibiting convention; and concerning a system of sanctions against the unlawful use of atomic energy.

Report of the Atomic Energy Commission

26. After intense discussion and debate the Atomic Energy Commission adopted a report, on December 30, 1946--with the Soviet Union and Poland abstaining--and forwarded it the next day to the Security Council. The recommendations of the Commission, which embodied all of the essentials of the Baruch proposals, may be summarized as follows:

a. There should be a strong and comprehensive international system of control of atomic energy;

b. the scope and functions of this system of control should be defined by a treaty in which all of the member nations should be entitled to participate with the same rights and obligations;

c. this treaty should include provisions to:

  (1) establish an international Authority to prevent effectively the manufacture and use of atomic bombs for war purposes, and develop the use of atomic energy for social gain;

  (2) afford the right of free and full international inspection in support of these purposes;

  (3) prohibit the manufacture, possession or use of atomic weapons;

  (4) provide for the disposal of any existing stocks of atomic bombs;

  (5) specify the means and methods of determining violations of the treaty's terms, and establish the nature of enforcement and punishment measures. In dealing with such violations, no nation a party to the treaty would have the legal right, by veto or otherwise to protect a violator from the consequences of violations.

d. the treaty should provide a schedule for the completion of the transitional process over a period of time, leading to the full establishment of international control of atomic energy.

27. The Commission in its Report pointed out that international agreement to outlaw atomic weapons was an essential part of an international system of control and inspection but that an "outlawing" agreement alone would not ensure the use of atomic energy for peaceful purposes only, would not provide for effective safeguards to protect complying states against the hazards of violations and evasions, and would fail to meet the requirements of the terms of reference of the Commission.

28. In regard to that part of its terms of reference relating to the elimination from national armaments of "all other weapons adaptable to mass destruction," the Commission reported that it had devoted its efforts to a study of the control of atomic weapons and atomic energy only.

D. DEBATE IN THE GENERAL ASSEMBLY

The Molotov Proposals

29. It has already been shown that the nations of the world regarded regulation and reduction of armaments as an integral part of the establishment and maintenance of peace, and that the United Nations Charter reflects this attitude. The first formal step to give effect to these views by the nations of the world was taken at a meeting of the General Assembly of the United Nations on October 29, 1946, when Mr. Molotov proposed a resolution calling upon the Security Council to provide practical means for achieving a reduction of armaments, such means to include as a primary objective the banning of the manufacture and use of atomic energy for military purposes. The debate which followed culminated finally on December 14, 1946, when the General Assembly unanimously adopted a resolution entitled "Principles Governing the General Regulation and Reduction of Armaments."

The Issues in the General Assembly

30. As consideration of the matter proceeded, there emerged from the debates, proposals and discussion, five principal issues: (1) procedure for arriving at the future armaments agreements; (2) measures for dealing with the problem of control of atomic energy; (3) the nature of a system of control, inspections and safeguards concerning both atomic energy and armaments; (4) the relation of collective security to armament regulation; and (5) supplying information on existing armaments and armed forces. Of the five issues, the second and third provoked marked disagreement.

31. The debate on the second of these issues--the control of atomic energy--reflected the nature of the debate taking place at the same time in the Atomic Energy Commission. The United States proposals in the Assembly were based on the principle that the early establishment

of control of atomic energy was essential to the general regulation and reduction of armaments. The United States therefore recommended that the Security Council give first consideration to the report that the Atomic Energy Commission was about to make, which report was expected to stress a comprehensive system of control. The original Soviet proposal emphasized the prohibition of production and use of atomic weapons, but it ignored the task of evolving a system of control of atomic energy that lay before the Commission. Even in a later Soviet proposal for a commission to supervise the enforcement of the prohibition of atomic weapons, no mention was made of the control problem. An adjustment of the opposing views was effected, however, in the Assembly debate, so that the resolution finally adopted called for the prompt consideration of the Report of the Atomic Energy Commission and consideration of a general system of control to include both the prohibition of atomic weapons and other weapons of mass destruction and the control of atomic energy for peaceful purposes. The resolution further provided that nothing in its provisions should alter or limit the resolution of January 24, 1946, creating the Atomic Energy Commission.

32. In regard to the third issue, the Soviet Union proposed the establishment of two organs of inspection within the framework of the Security Council: a commission to control the execution of the decision on the prohibition of the use of atomic weapons, and a commission to control the decision regarding the reduction of armaments. The United States insisted that practical and effective safeguards concerning both the control of atomic energy and the regulation of armaments were essential to protect complying states against the hazards of violations and evasions, a requirement not provided for in the Soviet proposals, and urged that the Security Council devise such a system. Moreover, there was a feeling that the Soviet proposals would allow the veto power in the Security Council to be used in the proceedings of the control commission. In this connection, however, Mr. Molotov indicated that once the control commissions were set up, a veto could not apply to their operations. The final resolution, again representing an adjustment of opposing views, omitted reference to the veto and provided for an international system of control both for the regulation and reduction of armaments and for atomic energy.

The Resolution of December 14, 1946

33. The resolution of the General Assembly as finally adopted on December 14, 1946, was entitled "Principles Governing the General Regulation and Reduction of Armaments." It dealt with both the regulation and reduction of armaments and the control of atomic energy. The resolution as it concerns the control of atomic energy may be summarized as follows: It urges the expeditious fulfillment of the terms of reference of the Atomic Energy Commission as an essential step toward the urgent objective of prohibiting and eliminating atomic and all other weapons of mass destruction from national armaments, and the early establishment of international control of atomic energy and new discoveries and developments, to insure their use for peaceful purposes. It recommends that the Security Council expedite consideration of the reports the Atomic Energy Commission will submit, and also expedite consideration of a draft convention or conventions for the creation of an international system of

control and inspection. These conventions are to include the prohibition of atomic and other weapons of mass destruction and the control of atomic energy necessary to insure its use for peaceful purposes only. Recognizing that the general regulation and reduction of armaments and armed forces is essential to the provision of practical and effective safeguards by way of inspection and other means to protect complying states, it recommends that Security Council promptly consider the working out of such safeguards in connection with the control of atomic energy and the regulation and reduction of armaments. To carry out the earlier provisions of the resolution relating to the regulation of armaments and the control of atomic energy, it directs that there be established within the framework of the Security Council, an international system operating through special organs, which shall derive their powers and status from the convention or conventions under which they are established. It states that nothing in the resolution shall alter or limit the resolution of the General Assembly creating the Atomic Energy Commission.

34. In a separate but related action on the same day, the General Assembly adopted a resolution calling on the Security Council to determine the information to be sought from members of the United Nations in order to implement the general resolution on principles for the regulation and reduction of armaments.

E. ACTION BY THE SECURITY COUNCIL ON THE RESOLUTION OF THE GENERAL ASSEMBLY AND THE FIRST REPORT OF THE ATOMIC ENERGY COMMISSION

35. The two resolutions of the General Assembly of December 14, 1946 and the First Report of the Atomic Energy Commission of December 31, 1946 presented the Security Council with two vital matters concerning international security: the regulation and reduction of armaments and the control of atomic energy.

36. When the debate began on January 9, 1947, the Security Council had on its agenda, in addition to the two resolutions of the General Assembly and the First Report mentioned above, two resolutions designed to establish the procedure for carrying out the recommendations of the General Assembly resolution entitled "Principles Governing the General Regulation and Reduction of Armaments." One of the resolutions, introduced by the Soviet Union, proposed the establishment of a commission to work out practical measures for the implementation of the terms of the General Assembly resolution and submit its proposals to the Security Council within three months. The other, presented by the United States, proposed that the Security Council give first priority to the establishment of international control of atomic energy, and to that end that it act on the First Report of the Atomic Energy Commission, and that only thereafter should it consider what further practical measures it should take in the implementation of the General Assembly resolution.

37. In the course of the debate on the proposed resolutions the United States took the position that before regulation and reduction of armed forces can be effected conditions of international security must be

established, measures for the international control of atomic energy must be accomplished and agreements for the establishment of armed forces to be made available to the Security Council must be completed. The United States also pointed out that the negotiation and conclusion of the peace treaties with Japan and Germany had a direct bearing on the general conditions of security, and that no nation could commit itself to plans for the regulation and reduction of armaments unless definite measures for effective and enforceable safeguards to protect complying states were included. The Soviet view disregarded the conditions considered vital by the United States and gave principal emphasis to the implementation of the provisions of the General Assembly resolution as a prerequisite to the establishment of conditions of world security.

38. It soon developed in the debate that all members of the Council agreed that action should be taken to establish a commission to deal with certain matters concerning the implementation of the General Assembly resolution, but the difficulty then arose of the functions of the commission. The position of the Soviet Union was that the commission should have cognizance of all matters covered by the resolution and that the questions of atomic energy should not be separated from those of the regulation and reduction of other armaments. The United States insisted that matters concerning the problem of atomic energy should be specifically excluded from the commission's jurisdiction since they were already provided for by the terms of reference of the Atomic Energy Commission. After extensive discussion a resolution, which failed to meet the approval of the Soviet Union, was agreed upon by the other delegations.

39. The resolution was adopted on February 13, 1947 by a vote of 10-0 with the Soviet Union abstaining. By the resolution the Security Council agreed to work out practical measures to implement the provisions of the General Assembly resolutions concerning the general regulation and reduction of armaments and armed forces and the establishment of international control over these measures, and those concerning information of the armed forces of the United Nations, and also to consider as soon as possible the First Report of the Atomic Energy Commission. The resolution provided for the establishment of a "Commission for Conventional Armaments" composed of representatives of the Security Council, which would prepare and submit to the Council within three months proposals for the general regulation and reduction of armaments and armed forces and for practical and effective safeguards in connection with the regulation and reduction of armaments within the new Commission's jurisdiction. The resolution specifically excluded from the jurisdiction of the Commission matters within the competence of the Atomic Energy Commission. It also required the Commission to submit a plan of work to the Security Council for approval. The resolution further directed the Commission for Conventional Armaments to propose studies to be made by the Military Staff Committee and possibly by other organs of the United Nations. It called upon the Military Staff Committee to submit at the earliest possible time, recommendations concerning the military aspects of Article 43 of the Charter, and as a first step, to submit not later than April 30, 1947, its recommendations on the basic principles of organization of the United Nations Armed Force.

40. Immediately after the Security Council passed this resolution it undertook consideration of the First Report of the Atomic Energy Commission.

The Soviet representative presented the views of his government on the First Report. These dealt principally with the rejection in the Report of the idea of a separate convention prohibiting atomic weapons, with the inclusion in the Report of proposals which he considered were intended to modify the principle of unanimity in the Security Council, and with the extent of the powers proposed in the Report for the international control agency to which he was opposed. In the course of the debate the Soviet representative introduced twelve amendments and additions to the First Report.

41. During the debate on the procedural matter of the disposition of the Report, the new members of the Security Council, and hence of the Atomic Energy Commission--Belgium, Syria, and Colombia--expressed their approval of the First Report and thus took their position with the majority. In this debate it was generally agreed that consideration of the twelve Soviet amendments in the Security Council would serve no useful purpose and that it would be preferable for the Commission itself to attempt to resolve the divergences from the First Report expressed in the Soviet amendments. The Council, therefore, by a resolution adopted unanimously on March 10, 1947, transmitted the record of its consideration of the First Report to the Commission and requested the Commission to continue its deliberations.

42. The Security Council resolution urged the Commission to continue its inquiry into all phases of the problem of the international control of atomic energy, to develop as promptly as possible the specific proposals called for by Section 5 of the General Assembly Resolution of December 24, 1946, and in due course to prepare and submit to the Security Council a draft treaty or treaties, or convention or conventions embodying its ultimate proposals. The Council also requested the Commission to submit a second report before the next session of the General Assembly. In this manner the Security Council removed from its immediate consideration the problems of the regulation and reduction of conventional armaments and of the international control of atomic energy.

F. DEVELOPMENTS IN THE ATOMIC ENERGY COMMISSION

Procedure

43. The Atomic Energy Commission met on March 19, 1947 and resolved unanimously to assign to its committees consideration of the questions arising from the resolution of the Security Council and particularly those questions relating to the establishment of international control of atomic energy upon which agreement had not been reached.

44. The Working Committee of the Commission by a vote of 10-0 (the Soviet Union and Poland abstaining) agreed to consider the twelve Soviet amendments and to request Committee 2 of the Commission (the Control Committee) to study in particular the questions outlined in the last paragraph of Part I of the First Report and new questions not previously studied. The questions to be studied by Committee 2 were later set forth in the Second Report as a "Summary of Principal Subjects to be Incorporated in Specific Proposals for the International Control of Atomic Energy."

45. At a meeting of the Atomic Energy Commission on June 11, 1947, the Soviet Representative submitted proposals on atomic energy control based upon international inspection and national management of atomic facilities. With reference to the procedure for handling these proposals, the Working Committee generally agreed that no change would be made in the program of work as previously approved and decided that both the Working Committee and Committee 2 would consider those portions of the proposals that were applicable to the work that each committee had in hand. The informal nature of the work in Committee Two, however, did not lead to the concurrent discussion of the Soviet proposals and they were, therefore, considered separately.

46. In the course of the early meetings of Committee 2 a procedure was established for developing "working papers" on the subjects listed in the "Summary of Principal Subjects." The procedure involved detailed study by a working group of the committee, informal and formal discussions in the full committee, the co-ordination of the several papers, and final approval. Delegates of all the nations represented in the Commission, except those of the Soviet Union, took part in the preparation of the working papers. The Soviet representatives declined to take part in this work but preferred to sit in as observers. The procedure outlined was generally followed, and the Committee developed six working papers from the long list of subjects contained in their plan of work.

47. Discussions in the Working Committee and Committee 2 continued until September 8 when a report of the work of the two committees was considered by the Working Committee. In this consideration of the report, the Soviet Union and Poland objected to the important features and either voted against them or abstained from voting. On September 11, the Atomic Energy Commission approved the report of the Working Committee and presented it to the Security Council as the "Second Report of the Atomic Energy Commission." In the vote on the report, only the Soviet Union voted in the negative; and Poland abstained.

Nature of the Debate

48. In the final debate upon the Second Report, the Soviet representative pointed out that its fundamental defect lay in the fact that it made no provision for the prohibition of atomic weapons or for the destruction of stocks of finished and unfinished weapons, and rejected all of the features of the Report. Ignoring the fact that the First Report had been approved by a large majority of the Commission and that the draft of the Second Report had received endorsement by the majority in the Working Committee, he attacked the United States, impugning its motives and sincerity in its original proposals on the international control of atomic energy and in its subsequent consideration of this matter in the Commission. He stated that:

> "The Soviet Union government has supported, and will support, strict and effective international control of atomic energy. You are all aware of the pertinent statement made on this question by Generalissimo Stalin. But such control can only be established when we are all guided by the common interests of the United Nations, and when no one Power, however strong and influential

it may be, attempts to subordinate the interests of other countries to its own designs." 3/

49. The deliberations in the Atomic Energy Commission, particularly in the reconsideration of the First Report, have been marked by extreme differences in opinion between the majority of the Commission and the minority represented by the Soviet Union and Poland. These differences arise over the question of the prohibition of atomic weapons in relation to the establishment of a system of control; the question of the principles of control as they concern international versus national management and the extent of international inspection; and the question of the veto in relation to the punishment of violators and the functioning of the control agency. The Soviet representatives in the Commission and its committees have disregarded the views of the majority and have failed to recognize the validity of the First Report. They have yielded nothing to the views of the majority on any of the vital matters in controversy, and have contributed nothing constructive in the development of plans based on the First Report. Their effort has been continuously to condemn the principles of that Report.

50. In a published statement Mr. Osborn, the United States Deputy Representative in the Commission, said that in the very first meetings of Committee 2 the Soviet representatives announced that as they disagreed altogether with the First Report they would take no part in drafting further proposals but would sit in on the conversations only as observers. He further pointed out that as observers the Soviet representatives had actually taken more time at the meetings in raising questions of procedure and form than had other delegates in discussion of the work involved. Mr. Osborn indicated that in the Working Committee almost all of the time had been spent either on procedural arguments raised by the Soviet or Polish representatives or on attempts by the majority members to find out what the Soviet Union meant by its amendments; that queries on the amendments almost invariably brought the reply from the Soviet representatives that the meaning was perfectly clear and that they saw no reason to be drawn into an argument.

51. In replying in a public press statement, the Soviet representative, Mr. Gromyko, denied the assertions of Mr. Osborn and attributed to the United States representative the same delaying tactics with which he had been charged. He complained that he was unable to obtain discussion of what he considered the fundamental problem in the control of atomic energy--that of immediate prohibition of atomic weapons--and that his efforts to obtain prompt consideration of his proposals for a system of control were prevented by the stalling tactics of the majority led by the United States representative. He further attacked the views and decisions of the majority on the matters in controversy and attributed to the United States representative the failure in the Commission to make progress.

52. The records of the proceedings of the Commission support the views expressed by Mr. Osborn. The difficulties of the negotiations in the Commission are indicated by the fact that the representatives of the United States and the Soviet Union have taken their differences to the public.

G. DEVELOPMENTS IN THE COMMISSION FOR CONVENTIONAL ARMAMENTS

53. The Commission for Conventional Armaments began its deliberations in March 1947. On June 18, 1947, a plan of work proposed by the United States was approved and submitted to the Security Council. A Soviet plan, also considered by the Commission, differed from the United States plan in that it linked the prohibition of atomic weapons with the general task of regulation and reduction of armaments.

54. The Security Council approved the plan of work recommended by the Commission on July 9, 1947, by a vote of 9-0, with the Soviet Union and Poland abstaining. In spite of the provisions of the Security Council's resolution excluding matters within the competence of the Atomic Energy Commission from the jurisdiction of the Commission for Conventional Armaments, the Soviet representative announced his intention to conduct his activities in the Commission along the general lines of the Soviet plan of work.

55. The first requirement of the approved plan of work of the Commission is as follows:

> "Consider and make recommendations to the Security Council concerning armaments and armed forces which fall within the jurisdiction of the Commission for Conventional Armaments." 4/

56. A Working Committee of the Commission, on which all of its members were represented, considered this requirement and on September 9, 1947 approved a resolution on the jurisdiction of the Commission by a vote of 7 to 2, the Soviet Union and Poland voting in the negative and China and Brazil abstaining. The resolution was as follows:

> "The Working Committee resolves to recommend to the Commission that it advise the Security Council (1) that it considers that all armaments and armed forces, except atomic weapons and weapons of mass destruction, fall within its jurisdiction and that weapons of mass destruction should be defined to include atomic explosive weapons, radioactive material weapons, lethal chemical and biological weapons, and any weapons developed in the future which have characteristics comparable in destructive effect to those of the atomic bomb or other weapons mentioned above; (2) that it proposes to proceed with its work on the basis of the above definition." 5/

57. The Working Committee forwarded this resolution to the Security Council direct, and proceeded in accordance with the second part of the resolution.

58. The definition of weapons of mass destruction contained in the resolution, when and if approved by the Security Council, is expected to serve as guidance for the Atomic Energy Commission in its consideration of "all other major weapons adaptable to mass destruction" as required in its terms of reference.

H. SECOND REPORT OF THE ATOMIC ENERGY COMMISSION

59. The Second Report of the Atomic Energy Commission to the Security Council, approved by the Commission on September 11, 1947 has not yet been considered by the Council.

60. The report consists of an introduction, four parts and five annexes. These are briefed or summarized in the following paragraphs, the numbers of which have no relation to specific paragraphs in the Report. To contribute toward brevity the term "treaty" is used instead of the term "treaty or convention" used in the Report.

Introduction (Briefed)

61. The report is an interim report covering the work of the Commission from January 1 to September 10, 1947.

62. The discussion of the Soviet amendments has not led the Commission to revise the General Findings and Recommendations of the First Report. The discussion on the Soviet proposals of June 11 has led to the conclusion that these proposals as they now stand and the explanations given thereon do not provide an adequate basis for the development of specific proposals for an effective system of international control of atomic energy. These discussions have not led to a reconciliation of the views of the Soviet Union with those of the majority of the Commission on major points of principle.

63. The specific proposals drafted by the Commission to comply with the General Assembly resolution of January 24, 1946, deal with the functions and powers of an international agency for the control of atomic energy, and give expression to certain basic principles, including the following:

a. Decisions concerning the production and use of atomic energy should not be left in the hands of nations.

b. Policies concerning the production and use of atomic energy that substantially affect world security should be governed by principles established in the treaty which the agency would be obligated to carry out.

c. Nations must undertake in the treaty to grant to the agency rights of inspection of any part of their territory, subject to appropriate procedural requirements and limitations.

In implementing these principles, the following basic measures are provided:

1) production quotas based on principles and policies specified in the treaty;

2) ownership by the agency of nuclear fuel and source material;

3) ownership, management, and operation by the agency of dangerous facilities;

4) licensing by the agency of non-dangerous facilities to be operated by nations; and

5) inspection by the agency to prevent or detect clandestine activities.

64. The conclusion of the majority of the Commission on the specific proposals is that, taken together with the General Findings and Recommendations of the First Report, they provide the essential basis for the establishment of an effective system of control to ensure the use of atomic energy only for peaceful purposes and to protect complying states against the hazards of violations and evasions.

65. In addition to the specific proposals considered in this Report, other important matters listed for discussion in the "Summary of Principal Subjects" (Part I) are the organization and administration of the agency, geographical location of dangerous activities and stockpiling, financial and budgetary organization, prohibitions and enforcement, and the stages of transition from the present situation to a system of international control. These subjects can be discussed effectively only in connection with the conclusions reached regarding the functions and powers of the international agency. Work on these matters will be based on the specific proposals of this Report and on the First Report. Until unanimous agreement is reached on the functions and powers there will be limitations on the extent to which other topics in the "Summary of Principal Subjects" can be worked out in detail.

66. Much remains to be done before the final terms of a treaty can be drafted but the Commission intends to proceed with the remaining topics of the summary and will continue to endeavor to resolve existing points of disagreement.

Part I

67. Part I covers the "Proceedings of the Atomic Energy Commission from 1 January to 10 September 1947." (The proceedings have been outlined in Sections E and F of this Memorandum). Annex 1 of the Report is a "Chronological Calendar of Meetings of the Atomic Energy Commission and its Committees from January 1 to 10 September 1947" and Annex 2 is a "List of Representatives and Advisors to the United Nations Atomic Energy Commission from 1 January to 10 September 1947."

68. The "Summary of Principal Subjects to be Incorporated in Specific Proposals for the International Control of Atomic Energy" referred to in the Introduction and used as a plan of work for the Commission is as follows:

"A. Subjects required to establish the initial framework of a draft treaty or convention (many of these subjects might be discussed concurrently).

"1. Definition of terms to be used in the treaty.

"2. Operational and developmental functions of the international agency and its relation to planning, co-ordination, and direction of atomic activities.

"(a) Functions of the international agency in relation to research and development activities.

"(b) Functions of the international agency in relation to location and mining of ores.

"(c) Functions of the international agency in relation to processing and purification of source material.

"(d) Functions of the international agency in relation to stockpiling, production, and distribution of nuclear fuels.

"(e) Functions of the international agency in relation to design, construction, and operation of isotope separation plants.

"(f) Functions of the international agency in relation to design, construction, and operation of reactors.

"(g) Rights of and limitations on the agency and its personnel in respect to inspection, operation, and other control functions.

"3. Organization and administration of the international agency.

"(a) Organizational structure.

"(b) Relations to other organs of the United Nations, to other international agencies, and to individual nations and their national agencies.

"(c) Status of the agency and its personnel in its operations within individual nations.

"(d) Definition of types of operating decisions subject to review and those not subject to review.

"(e) Determination of review body or bodies and of principles governing review.

"B. Subjects which can only be discussed effectively in the framework of decisions reached on subjects listed in A. above.

"1. Principles governing geographical location of dangerous activities and stockpiling.

"2. Financial and budgetary organization.

"(a) Determination of sources of funds and types of expenditures.

"(b) Estimates of financial burden to be borne by individual nations.

"(c) Principles governing allocation of expenses to individual nations.

"(d) Principles governing financing of both facilities owned and facilities not owned by the agency.

"3. Porhibitions and enforcement.

"(a) Definition of individual and national prohibitions.

"(b) Examination of the nature of direct international jurisdiction over individuals and the principles governing the application of individual punishments.

"(c) Examination of the problems related to the application of sanctions against nations, including the veto problem.

"(i) Method of determining violations.

"(ii) Application of economic and other non-military sanctions.

"(iii) Application of military sanctions.

"4. Examination of the stages by which transition will be accomplished from conditions of national control to the final conditions of predominantly international control." 6/

Part II

69. Part II, entitled "Operational and Development Functions of the International Control Agency," is divided into six chapters and a section defining the terms used. Annex 3 of the Report consists of the summaries of the records of those meetings of Committee 2 during which the substance of Part II was discussed. Three of the four summaries are of restricted classification. Chapter 1 is a general introduction in which is summarized the discussions in the succeeding five chapters that lead up to the statement of the specific proposals in each. Chapter 1 is briefed herein, and the remaining five chapters are summarized. In summarizing the specific proposals, the essential statements have been included and modifications, qualifications and limitations have been omitted. A review of the section on "Definition of Terms" has been omitted since it is considered that the terms may generally be understood from the context, and that the technical definitions are not necessary for the purposes of this study.

Chapter 1, General Introduction (Briefed)

70. Security was deemed to be the paramount requirement in studying the operational and developmental functions of the internal agency in

regard to the production of nuclear fuels and the use of atomic energy for peaceful purposes. The principles of a system of operative control would have the following objectives:

a. to give the international control agency the means of preventing atomic war,

b. to lessen the possibility of one nation or a group of nations achieving potential supremacy in the field of atomic energy,

c. to give warning to complying states of any breach of the treaty, and

d. to dispel suspicions and false accusations.

In working out the application of these principles it was found necessary to study additional considerations of security not within the scope of the First Report and to provide stricter measures of control than those recommended in that Report.

71. The international control agency might have full powers relating to planning, co-ordination and direction of the development of atomic energy, or, nations might be left free to develop their programs for the production of atomic energy for peaceful purposes subject to the precautionary measures provided by the First Report. An intermediate solution between these two might be adopted. In considering these policies, it was considered that the elimination of national rivalries in the field of production, distribution and stockpiling of nuclear fuels, and the determination of overall production rates are of paramount importance to security.

72. In considering the dangers involved, it is clear that nuclear fuels can easily be manufactured into weapons, and in the peaceful application of atomic energy large quantities of nuclear fuels will be required. General security will, therefore, depend upon the production rate of key substances or nuclear fuels. If mining, as the first stage of production, were left in the hands of individual nations there would be a risk that one country might accumulate reserves of ore to the disadvantage of others. The type, number, and distribution of facilities should be under international regulation to prevent a lack of balance in the location of facilities with a consequent lack of balance in military potentials. Production and utilization facilities and stockpiles should be distributed among nations in such a way as to minimize the advantage that their seizure would provide for a nation with aggressive intentions. It is concluded, therefore, that if the right to decide upon the number and size of facilities and upon the size of stockpiles of source material and nuclear fuel situated on their territory were left to nations, the control measures of the First Report would not, if applied alone, eliminate the possibility of one or a group of nations achieving potential or actual military supremacy.

73. Following the conclusion expressed above, it is proposed that the international agency should have, in addition to duties of management and of providing safeguards as specified in the First Report, the duties of implementing the treaty in respect to the production, distribution, and

utilization of dangerous facilities, and in respect to mining quotas and the transfer and processing of source material. These duties would be subject to limitations described below.

74. The principles governing the production and use of atomic energy should be established by international agreement and it should be the duty of the agency to implement such an agreement. The provisions to be included initially in the treaty should make it mandatory for the agency to keep production of nuclear fuel in a form suitable for ready conversion to weapon use at a minimum necessitated for beneficial uses. Although the agency will have power to determine the type and location of facilities within a nation in accordance with quotas, provisions and principles set up in the treaty, the type and location of a particular facility will be decided by the nation concerned in agreement with the agency and the agency's rights will be limited by specific factors pertaining to international security as may be specified in the treaty. The treaty should embody the principle that comparable national deposits of uranium and thorium ores be depleted proportionately, and the agency should determine quotas to provide requirements for nuclear fuels on this basis.

75. In determining what are dangerous activities and dangerous facilities (dangerous in the sense of potentially dangerous to world security), the agency should comply with the provisions of the treaty. These provisions should take into account the quantity and quality of materials in each case, the possibility of diversion or of conversion to weapons, the total supply or distribution of materials, the characteristics of facilities, scientific and technical advances and the degree to which the agency has achieved security in the control of atomic energy.

76. The agency should have power to conduct research and development work. It is a generally acknowledged thesis that the agency, in order to give security and to perform its task, must have full scientific knowledge of all matters relating to atomic energy, not only for the results achieved but also of all innovations as they occur. It must be able to recognize all clandestine operations, even though they may be of a new and unfamiliar character. Since it would be detrimental if private research and development should stop, the principle is proposed that such research should be limited only insofar as is necessary for reasons of security. The agency should encourage rather than hamper individual and national research except that nations or individuals should be forbidden to use nuclear fuel in any way that relates to atomic weapons; to use dangerous quantities of nuclear fuel; and the use of non-dangerous quantities should be subject to safeguards when necessary.

77. In the following chapters, the expression "ownership by the international agency" is used with reference to source materials, nuclear fuels, and dangerous facilities. It is important to understand why "ownership" should be vested in the international agency and the sense in which this expression is used. Study has established the necessity for international control and allocation of the quantities and location of uranium and thorium, the time and place of the further processing of source materials, and the size, use and disposition of working stocks and stocks in transit. Without such control there would be risk of diversion or accumulation of

stocks with a view to diversion or seizure. The basic policies and provisions for international control must be specified in the treaty and implemented by the agency. To administer this control, the agency, acting as trustee for all the signatory nations jointly, must be given indisputable control of source materials after separation from their natural deposits. If ownership of source material after mining were to remain with any nation there might be doubt about whose decision would prevail in regard to its disposition. International security requires that decisions on disposition lie with the international agency. Therefore, ownership of source material must not be vested in any nation or individual.

78. With regard to nuclear fuel and facilities it is proposed that, in the interest of international security, the treaty, and the agency in its implementation functions, must determine the number of facilities in each nation, and the agency must manage their operation. If national or private ownership were permitted, it would make it impossible for the agency, in accordance with quotas, provisions, and principles set up in the treaty, to exercise sufficient control to ensure security. It is, therefore, concluded that nations or persons should not own source material, nuclear fuel or dangerous facilities.

79. With ownership denied to nations or persons, it would seem to follow that ownership must of necessity be attributed to the agency. But the agency will be closely controlled by the terms of the treaty in respect to the rights of disposition. Therefore, the agency would hold all dangerous materials and facilities in trust for the signatory states and would be responsible for ensuring that the provisions of the treaty in regard to their disposition are executed. It is in this sense that the phrase "ownership by the agency" is to be understood.

80. Ownership by the agency of source materials or nuclear fuels includes the exclusive right to move or lease the materials, the right to produce energy from them, and the same rights for all products formed from them. It also includes the principle that no disposition of material can be made without the permission of the agency. Ownership of dangerous facilities includes the right to make decisions regarding their allocation, construction and operation within the terms of the treaty.

81. Recognizing that nations could not be expected to agree to give unlimited discretionary powers to an international agency, the following chapters set out in detail the provisions that are to govern the location, mining, production, distribution and use of source material and nuclear fuel, as well as dangerous facilities. It would then be the duty and responsibility of the international agency to implement these provisions in accordance with the terms of the treaty. These chapters, coupled with the First Report, outline the major provisions from the point of view of security that must be incorporated in a plan for the control of atomic energy. Since all situations that might arise cannot be covered in a treaty, it must be stated that whatever legal issues might arise in this connection, nations cannot have any proprietary rights or rights of decision arising therefrom over source materials, nuclear fuels, or dangerous facilities located within their territories.

82. In regard to clandestine activities, the measures provided for in the following chapters are intended to give the agency the duties and the powers to deter nations that might be tempted to conduct clandestine operations, to seek out and detect such clandestine activities if a nation were to conduct them, and to dispel suspicions and false accusations. Although no feeling of security could be established if nations could prohibit access to certain parts of their territory, it would be impracticable to subject the whole of territories of contracting nations to detailed inspection. Therefore, the exercise of the right the agency must possess to determine whether a nation is conducting clandestine preparations for atomic warfare would be subject to various procedures designed to guarantee the nations and individuals against abuses on the part of the agency and would be designed to conform with national legal procedures.

Chapter 2, Research and Development Activities (Summarized)

83. In this chapter, after the discussion of the problems of research and development, nine specific proposals are expressed in detail. The principal features of these proposals may be summarized as follows:

The international agency shall conduct research and development necessary to ensure security and to prevent the destructive use of atomic energy, in laboratories staffed by its personnel. It has the exclusive right to conduct research and development in atomic weapons, and this right is specifically denied to nations or persons. The agency shall conduct research and development for the promotion of peaceful uses of atomic energy including the production of power. It shall encourage nations or persons in research and development work but experimental activities requiring dangerous amounts of nuclear fuel or radioactive isotopes are prohibited except by the agency. Facilities engaged in research and development will be converted to other uses or turned over to the agency which shall, in agreement with the nation concerned, determine the number and location of facilities taken over or established. The principle that there shall be no secrecy concerning information on atomic energy shall guide the agency and participating nations and to that end the agency shall collect, analyze, and publicize the results of research and development.

Chapter 3, Location and Mining of Ores (Summarized)

84. Chapter 3 discussed the degree of control required over uranium and thorium and the functions of the agency in this regard, and stated twenty-one specific proposals. The important specific proposals may be summarized as follows:

The agency shall maintain complete information on supplies of source material and maintain control of source material whether in raw material or other form. To this end, nations shall furnish the required reports on source material known to be present within their territories and reports on areas explored or to be explored for source material. These reports shall be verified by inspections, surveys and explorations made by the agency, which shall also arrange for the search for new deposits. The agency shall become the sole owner of all source material from the time of its removal from its place of deposit in nature subject to certain limitations concerning other constituents contained in the mined material. By agreement with the nation concerned, the agency shall have the authority, through specified legal means to arrange for the development or operation of source material mines, mills, or dumps. Mines, mills, or dumps shall be operated by nations or persons only under licence from the agency. The agency shall assign annual quotas to nations for the production of source material, which shall be determined by the general principle established in the treaty that comparable national deposits throughout the world should be depleted proportionately. The agency shall authorize the transportation of source material and shall prevent its illegal transportation. Nations and persons are prohibited from possessing any deposit of source material or any source material mine, mill, or dump without reporting to the agency; from operating such activities except by license or regulation; from owning source material unless it contains other important constituents; from possessing, storing or transporting significant quantities of source material removed from the ground except by license; and from interfering with any source material deposit, mine, mill or dump. The agency shall have the duty of seeking out any clandestine activities involving source material, and to this end shall have the power to conduct ground, aerial and other surveys, exploration operations, accounting measures and inspections. The personnel of the agency shall have unimpeded rights to carry out their duties.

Chapter 4, Processing and Purification of Source Material (Summarized)

85. This chapter discusses the relation of processing and purification plants to the ownership of source materials and to isotope separation plants and reactors producing significant amounts of nuclear fuel, and concludes that refineries for the extraction of key substances should be operated or licensed by the agency at its discretion. The principal features of the thirteen specific proposals on this subject may be summarized as follows:

The international agency shall require reports from nations and persons on all source material, refineries, and chemical and metallurgical plants for treating key substances. It shall determine whether it shall own, operate, and manage any source material refinery or license it to a nation or person. Plants operated to abstract other important constituents shall normally be owned, operated, and managed by nations or persons under license. The agency shall own, operate, and manage all plants for treating key substances. Stocks of refined source material and treated key substances shall be kept as low as possible consistent with efficiency. The powers and duties of the agency, including ownership as specified for source material, apply during and after processing and purification of source material. Nations and persons are prohibited from owning, possessing, operating or managing any source material refinery without license; from owning, possessing, operating or managing any chemical or metallurgical plant for treating key substances; and from interfering with any source material refineries or plants for treating key substances. The agency shall have the duty to seek out clandestine activities of refineries and plants and to this end shall have the power to conduct accountings and inspections. The personnel of the agency shall have unimpeded rights to carry out their duties.

Chapter 5, Stockpiling, Production, and Distribution of Nuclear Fuels and the Design, Construction and Operation of Isotope Separation Plants and of Nuclear Reactors (Summarized)

86. Chapter 5 discusses the probable necessity for the use of large, and therefore dangerous, quantities of nuclear fuel in the peaceful application of atomic energy. Since such large quantities and the plants for producing them could easily be turned to the production of atomic weapons, there is a conflict between the requirements of security and those for the beneficial use of atomic energy. The danger of seizure of material and installations is a matter of consideration in connection with their distribution. It is evident that the agency should, in addition to management, have duties regarding the production, distribution and stockpiling of nuclear fuel and the distribution and utilization of dangerous facilities involving nuclear fuel. This chapter contains twenty-two specific proposals, the principal features of which may be summarized as follows:

The agency shall own all nuclear fuel. It shall have the exclusive right to own, operate and manage dangerous facilities for producing nuclear fuel; for utilizing nuclear fuel for the production of power or radioactive isotopes and other beneficial purposes, and for handling or processing nuclear fuel. The agency shall have the authority to design and construct dangerous facilities and design, construct, own and operate non-dangerous facilities involving nuclear fuel. Subject to effective control, it shall be lawful for nations to own, design, construct and operate non-dangerous facilities using or capable of producing non-dangerous quantities of nuclear fuel. The agency shall have power to adapt its controls to changing conditions, with a view to widening the activities of nations involving nuclear fuels and key substances, and shall, as world security is assured, be guided by the general principle that nuclear fuel is intended for beneficial use. The agency shall lease nuclear fuel and key substances, and license facilities, provided no dangerous activity or facility is involved. Facilities containing dangerous stocks of nuclear fuel, key substances, and source materials and stockpiles of these materials shall be distributed by the agency in accordance with the quotas, provisions and principles set up in the treaty governing the geographical location of dangerous activities and stockpiling. The agency shall keep the production of nuclear fuel in a form suitable for conversion to weapons, at the minimum required for efficient operating procedures necessitated by actual beneficial uses, including research and development. All nuclear fuel produced in non-dangerous plants will be reported to the agency and will become its property. Reports to the Security Council will be made by the agency on the status of all source material, nuclear fuel, and facilities utilizing or producing nuclear fuel. Nations and persons are prohibited from owning any nuclear fuel; from owning, operating or managing any dangerous facility or engaging in dangerous activities involving nuclear fuel; from having any other connection with nuclear fuel except by lease, license or regulation; and from interfering with any facility involving nuclear fuel. The agency shall have the duty to seek out clandestine activities involving nuclear fuel, and to this end, shall have the power to require reports, conduct ground, aerial and other surveys, make inspections, all subject to appropriate limitations. The personnel of the agency shall have unimpeded rights to carry out their duties.

Chapter 6, Rights of, and Limitations on the International Agency in Relation to Inspections, Surveys and Explorations (Summarized)

87. This chapter points out that although representatives of the control agency must have unimpeded rights of ingress, egress and access in the performance of their duties, the powers of the agency should not be unlimited and that reasonable and proper use of the powers granted would be necessary to avoid undue interference with activities unrelated to atomic energy. There are then discussed the inspection of declared activities, surveys and explorations for source material, and inspections and surveys to detect clandestine activities. The discussion is summarized by stating that the proposals provide very extensive powers of inspection and search; that in addition to the proposed procedural requirements and limitations, the good sense, as well as the budget, of the agency will themselves be limitations on the exercise of its powers; and that by virtue of the proposed positive functions of the agency, the amount of inspection required and the attendant interferences will be much less than would be necessary under a control system which sought to depend on inspection alone. The principal points of the twenty-one specific proposals in this chapter may be summarized as follows:

The personnel of the agency employed to conduct inspections, surveys and explorations shall be selected on an international basis, the percentage from any one nation being specified in the treaty. They shall be accorded special rights and privileges of entry into, movement within and egress from territory of participating nations. The agency shall be limited in its activities to purposes related to atomic energy only; shall have regard to domestic laws and customs relating to personal privacy and private property; shall not disclose confidential or private information unrelated to atomic energy acquired in its activities; and shall be liable to compensation for damages. The agency shall give notice of its contemplated activities to the nations concerned, which may have representatives accompany each party of the agency. Inspections without warrant may be made of mines, facilities, activities and material licensed or leased by the agency and those not licensed or leased but required to be reported, including declared facilities producing specialized equipment and supplies related to atomic energy. Inspections, ground surveys and explorations may be conducted without warrant in areas known to contain significant quantities of source material. The same provisions apply in other areas, except that a warrant is required before inspection is made of private, military or other government facilities not open to the local population. Where warrants are required, they normally shall be sought from domestic authorities, but denial shall not prejudice the right of application to an international court or body. Participating nations shall take legislative or other action to establish authority for the issuance of warrants or other authorization to the agency; and to require that such warrants be issued when the agency shows probable cause to suspect that any activity, facility or material required to be reported has not been reported, that any material has not been discovered and that any violation of the treaty has occurred or is threatened. On application of the agency, an international court or body shall issue warrants under these circumstances. The treaty shall provide for spot aerial surveys in each period of two years over areas not exceeding five per cent of the territory under control of each nation, or areas not exceeding 2,000 square miles, whichever is larger. The nations shall have specific rights in connection with these surveys. The treaty shall grant the agency specific rights of routine aerial survey over areas known to contain source material, and the right of aerial survey as desirable over areas likely to contain source material. On consent of the nation concerned or on showing probable cause, the agency may conduct aerial surveys to verify reports of clandestine activities. The agency may conduct formal inquiries for purposes authorized by the treaty. Nations and persons are prohibited from interfering with the functions of the agency. Military facilities or reservations shall not be exempt from any of the provisions above.

Part III (Summarized)

88. Part III is entitled "Report on the Deliberations of the Working Committee of the Atomic Energy Commission Concerning the Amendments and Additions to the First Report of the Atomic Energy Commission to the Security Council Submitted by the Representative of the Union of Soviet Socialist Republics at the Hundredth and Eighth Meeting of the Security Council." This Part consists of five sections the first two of which relate to procedural matters. (These are outlined in Section F of this Memorandum). Section III is "Proceedings of the Working Committee in Connection with the Amendments." Section IV is "Main Questions of Principle, Raised by the Union of Soviet Socialist Republics Amendments, on which No Agreement has So Far Been Reached." Section V makes reference to Annex 4 of the Second Report containing the summary records of the meetings of the Working Committee (Committee 1) which are considered to be an integral part of the Report. Three of these six summaries are "restricted."

89. Section III takes up in turn each of the twelve Soviet amendments to the First Report. In this section the main subjects of debate are stated and the views of the Committee and those of the Soviet representative on the action taken on each amendment are expressed where appropriate. In the following summary of Section III only the main features of the text are included.

90. A revised text of the original amendment 1 to item 2, Part II, C of the First Report introduced by the Soviet representative follows:

"Add the following paragraph to item 2:

"'Control and inspection on the part of an international organ are applied in regard to all existing plants for the production of final atomic materials (nuclear fuel) immediately after an appropriate convention or conventions are put into effect.'"

Subsequently, the Soviet representative agreed to complement the revised text of this amendment with the words "...and the establishment of the international control organ."

Still later the Soviet representative presented a modified version of paragraph 2, Part II, C to precede the amendment as follows:

"That effective control of atomic energy depends upon effective control of production and use of uranium, thorium, and their

> fissionable derivatives. Appropriate mechanisms of control to prevent their unauthorized diversion or clandestine production and use by means of accounting and inspection must be applied through the various stages of the processes from the time the uranium and thorium ores are severed from the ground to the time they become nuclear fuel and are used. Ownership by the international control agency of mines and of ores still in the ground is not to be regarded as mandatory."

As no progress was being made toward solution of the differences arising under the discussion of amendment 1, further consideration was deferred until it could be taken up in connection with amendment 11. The Soviet representative did not consider the delay necessary, however, as amendment 1 had a meaning independent of amendment 11.

91. Amendment 2 to the first paragraph of item 5, Part II C follows:

> "That an effective system of control of atomic energy must be international in scope and must be established by an enforceable multilateral convention which must be administered within the framework of the Security Council."

The Working Committee unanimously adopted a resolution in relation to this amendment adhering to the principle as stated in the General Assembly resolution of December 14, 1946 on the Principles Governing the General Regulation and Reduction of Armaments, that

> "'There shall be established, within the framework of the Security Council, which bears the primary responsibility for the maintenance of international peace and security, an international system,..., operating through special organs, which organs shall derive their powers and status from the convention or conventions under which they are established.'"

Certain delegates in voting for the resolution stated that they considered that it did not modify the relevant portions of the First Report.

92. A revised text of the original amendment 3 to paragraph 6, Part II, C, introduced by the Soviet representative is as follows:

> "That an international convention outlawing the production, possession, and use of atomic weapons is an essential part of any such system of international control of atomic energy. To be effective such a convention must be complemented by the establishment of a comprehensive system of international control, including inspection, to ensure the carrying out of the terms of the convention and 'to protect complying states against the hazards of violations and evasions.'"

The main subject of debate on this amendment was the significance of changes made in original amendment 3: the substitution of "be complemented by" for "provide for," and the omission of "supervision and" before "inspection."

It was agreed to postpone further discussion until related matters, such as the meaning of "inspection" had been clarified.

93. Amendment 4 provided an addition to paragraph 1, Part III:

> "Add to paragraph 1 after the words 'in the Commission's terms of reference' the following phrase:
>
> 'and in the General Assembly resolution of 14 December 1946 on Principles Governing the General Regulation and Reduction of Armaments."

The Working Committee unanimously adopted a resolution that the principle embodied in amendment 4 was agreed to on the understanding that it referred only to that portion of the General Assembly resolution relating to the international control of atomic energy.

94. Amendment 5 to paragraph 2, Part III follows:

> "Such a system of international control of atomic energy should be established and its scope and functions defined by a convention in which all of the nations members of the United Nations should be entitled to participate with the same rights and obligations. The international system of control should be declared operative only when those members of the United Nations necessary to assure its success by signing and ratifying the convention have bound themselves to accept and support it. Consideration should be given to the matter of participation of non-members of the United Nations."

After considerable debate it became clear that no differences in principle existed between the original text and the amendment, and accordingly no vote was taken.

95. Amendment 6 to paragraph 3 (a) Part III, follows:

> "Establishing within the framework of the Security Council, an International Control Commission possessing powers and charged with responsibility, necessary for the effective implementation of the terms of the convention and for the prompt discharge of its day-to-day duties. Its rights, powers and responsibilities should be clearly established and defined by the convention. Such powers should be sufficiently broad and flexible to enable the Commission to deal with the situation that may arise in the field of atomic energy in connection with new discoveries. In particular, the Commission shall assist in every way in promoting among all nations the exchange of basic scientific information on the use of atomic energy for peaceful purposes, shall be responsible for preventing the use of atomic energy for military purposes and for stimulating its uses for the benefit of the peoples of all countries. The control organs and the organs of inspection should carry out their control and inspection functions, acting on the basis of their own rules, which should provide for the adoption of decisions, in appropriate cases, by a majority 'vote.'"

Debate centered on the desirability of research for destructive purposes and on the veto within the control organ and the veto in atomic energy matters outside the organ. It was agreed that the question of research should be dealt with in Committee 2, and that the question of the veto outside the control organ belonged under amendment 9. The Committee declined to take a formal decision on the interpretation of paragraph 3 (a), Part III of the First Report as proposed by the Soviet representative.

96. Amendment 7 to paragraph 3 (c), Part III as introduced, follows:

> "Prohibiting the manufacture, possession, and use of atomic weapons by all nations parties to the convention or conventions and by all of their nationals."

The Soviet representative pointed out that the only difference from the original text was the use of "convention or conventions" instead of the singular alone. He proposed that the alternative "convention or conventions or treaty or treaties" as used in the Security Council resolution be followed until a decision was reached that there should be either one or more instruments. The question was left open as it was not clear whether the use of the phrase would imply that the Commission had reversed its recommendation that both prohibitions and the establishment of control should be included in a single treaty. The Soviet representative insisted on the solution of this question and objected to putting it off for the future.

97. Amendment 8 to paragraph 3 (d), Part III, follows:

> "Providing for the destruction of stocks of manufactured atomic weapons and of unfinished atomic weapons."

In the discussion of this text, the principal point at issue was whether destruction of atomic weapons was intended to include the destruction of nuclear fuel. A majority agreed that the word "disposal" in paragraph 3 (d), Part III should be interpreted to mean that the mechanisms of atomic weapons would be destroyed and that the nuclear fuel contained therein would be used for peaceful purposes only. The representative of the United States stated that this question could not be considered effectively apart from the question of stages and that the really significant problem here was not "disposal" or "destruction" of atomic weapons but effective control over nuclear fuel, which is only a short way from being an atomic weapon. The representative of the Soviet Union considered, however, that it is impossible to imagine the establishment of control of atomic energy without the destruction of atomic weapons. The delegation of the Soviet Union was ready at any time to discuss the question regarding the time for carrying out such measures.

Attempts to express the consensus of opinion in the form of a resolution led to a discussion of the stage at which the destruction of weapons should take place. Disagreement upon this factor made it impossible to find an acceptable formula for expressing the agreement on the meaning of "destruction" as all the drafts proposed made reference to the time element and the element of stages. It was, therefore, agreed that the record of the debates should constitute the evidence and the extent of agreement. The representative of the Soviet Union thought that it was insufficient to confine oneself to writing the agreement down in the record, but considered it necessary to take a decision.

98. Amendment 9 to paragraph 3 (e), Part III follows:

> "Specifying the means and methods of determining violations of the terms of the convention, condemning such violations as international crimes, and establishing the nature of the measures of enforcement and punishment to be imposed upon persons and upon nations guilty of violating its provisions.
>
> "The judicial or other processes for determination of violations of the convention and of punishment therefor, should be swift and certain. Serious violations of the convention shall be reported immediately by the Commission to the nations parties to the convention, and to the Security Council."

The Soviet representative pointed out that the essential difference between this amendment and the First Report was that the amendment omitted reference to the veto. Other representatives were reluctant to discuss this question in isolation in view of previous extensive discussion of this point, and debate was postponed until the representatives would be able to relate the question to other matters. Later consideration by Committee 2 of the subjects of prohibitions, violations, and enforcement would indicate more clearly the dimensions of the veto problem.

99. Amendment 10 to paragraph 4, Part III is as follows:

> "In consideration of the problem of violation of the terms of the convention, it should be borne in mind that a violation might be of so grave a character as to give rise to the inherent right of self-defense recognized in Article 51 of the Charter of the United Nations."

The issue here concerned the phrase "treaty or treaties or convention or conventions." Since this question had been discussed before and would arise under amendment 12, it was held in abeyance. The Soviet representative did not agree to this.

100. Amendment 11 to paragraph 5, Part III is as follows:

> "The convention should embrace the entire programme for putting the system of international control of atomic energy into effect and should provide a schedule for the completion of the transitional process, after the expiration of a certain period of time, step by step in an orderly and agreed sequence leading to the full and effective establishment of international control of atomic energy. In order that the transition may be accomplished as rapidly as possible and with safety and equity

> to all, this Commission should supervise the transitional process as prescribed in the convention and should be empowered to determine when a particular stage or stages may be considered to have been completed and subsequent ones are to commence."

There was no debate on amendment 11 as it represented no departure in principle from the First Report. As had been agreed, however, amendment 1 was re-examined because of its reference to the timing of the imposition of control and its relation to amendment 11. The Committee accordingly debated whether it was appropriate at that time to try to set forth in detail the stages of transition, which was the question raised by the Soviet proposal that measures of control and inspection should be applied immediately after the convention had been ratified and the control organ established. The majority of the members believed that any decision on transitional measures would be premature as the issues were not yet sufficiently developed. The Soviet representative disagreed, considering that the questions of amendment 1 were vital and required solution without delay.

101. Amendment 12 to Part III is as follows:

"It is proposed to add a paragraph 6 to read as follows:

> "'With a view to the earliest possible implementation of the findings and recommendations stated above, and also of the General Assembly resolution of 14 December 1946 on Principles Governing the General Regulation and Reduction of Armaments, the Security Council recognizes the urgency of considering draft conventions on the prohibition of atomic and other major weapons adaptable to mass destruction.'"

There was a general reluctance to reopen debate on the question of priority for a convention upon the prohibition of atomic weapons, in view of previous extensive discussions on this point, and because, as presented, the proposal was isolated from related matters of control. It was, however, indicated that Committee 2 would discuss the question in its relation to other matters. The representative of the Soviet Union stated that his delegation adhered to its former position on the prohibition of atomic weapons, considering this question to be essential and to require solution both in the Atomic Energy Commission and in the Security Council.

102. Section IV, the main questions of principle on which no agreement has so far been reached, are as follows:

> "1. The question of the reference to the veto contained in the First Report of the Atomic Energy Commission and, accordingly, the Soviet Union amendment thereto and the implication of the phrase 'within the framework of the Security Council' (see amendments 2, 6, and 9).
>
> "2. The question of what safeguards are required for strict international control of atomic energy (see amendment 3 and supplementary change arising out of amendment 1).

> "3. The question of whether the international control of atomic energy, including the prohibition of atomic weapons, is to be established by one treaty or convention or by several and, in the latter case, the question of priorities (see amendments 3 and 12 and incidentally in amendments 7 and 10).
>
> "4. The question of the stages of transition from existing conditions to international control (see amendments 1 and 8).
>
> "5. The question of the right of the international control agency to conduct research in atomic weapons (see amendment 6)."

Part IV (Summarized)

103. Part IV is entitled "Report on the Consideration of the Proposals of the Union of Soviet Socialist Republics of 11 June 1947."

104. The report quotes the Soviet proposals in full and outlines the discussion on procedure that arose, which has already been referred to in Section F of this Memorandum.

105. In the course of the debate on the proposals in Committee 2, several representatives expressed a desire that certain portions of the proposals be expanded or clarified. The British representative on August 11, addressed to the Soviet representative a letter containing a list of questions concerning these proposals. The questions and the answers by the Soviet representative received on September 3, are contained in the report. The views of the Committee on these questions and answers are reflected in a resolution of Committee 2 based upon the deliberations of the Committee to date and adopted on August 15 by ten affirmative votes, which stated in part:

> "The Committee RESOLVES that these proposals as they now stand and the explanations given thereon do not provide an adequate basis for the development by the Committee of specific proposals for an effective system of international control of atomic energy. They therefore do not call for a change in the programme of work of the Committee, which is based on document AEC/C.2/16 adopted on 10 April 1947. (Summary of Principal Subjects.) The Committee notes that certain points in the Soviet Union proposals are not covered in the working papers so far submitted; these will be taken up in due course under the plan of work already adopted, as well as any new elaboration of the proposals already considered."

106. The Soviet representative objected to the adoption of the resolution on the grounds that the discussion of the Soviet proposals was not yet finished; that the proposals had not been considered point by point, and that as a result of the current discussions it was impossible to determine on which of the provisions of the proposals agreement had been reached and on which agreement had not been reached. He also pointed out that, in his view, the adoption of the resolution meant that Committee 2 declined to attempt to find general points of contact between the Soviet proposals and those of the majority of the delegations that would lead to a plan of control.

107. In replying to the objections of the Soviet representative, it was pointed out that discussion of the proposals was not to be considered as terminated, since Committee 2 would consider any future elaboration of the proposals in accordance with the working plan of the Committee already adopted.

108. Annex 5 to the Second Report contains the summary records of Committee 2 which are to be considered an integral part of the report in Part IV.

I. DEVELOPMENTS IN THE GENERAL ASSEMBLY

109. The General Assembly of the United Nations met on September 16, 1947 and in the course of the initial general debate in the Assembly the Secretary of State of the United States, General Marshall, and the Deputy Foreign Minister of the Soviet Union, Mr. Vishinsky, commented upon the situation existing in the Atomic Energy Commission regarding the progress of its work.

110. General Marshall said that the majority of the Atomic Energy Commission had made real progress in defining the functions and powers of the international control agency but that two nations had been unwilling to join the majority in the conclusions reached. He said that it is the view of the United States that the system of control devised by the majority while bold, was essential for security against atomic warfare, and that failure to agree on a system that can provide security would retard the development of the peaceful uses of atomic energy and accelerate an atomic armaments race. General Marshall stated that the offer made by the United States to give up its present advantage in exchange for an effective system of control had found gratifying acceptance by the majority in the Commission; that they had worked hard on specific proposals to put such a system in effect; and that they were convinced that the proposals of the majority provided the only adequate basis for effective control. He continued, saying that since the United States realized the consequences of failure to attain effective international control, the United States would continue its efforts to carry forward the work in the Commission along the lines of the majority views. He cautioned further that if the minority persisted in refusing to join with the majority, the Atomic Energy Commission might soon be faced with the conclusion that it was unable to complete its assigned task.

111. In his address, Mr. Vishinsky took the view that world anxiety over the unsatisfactory state of affairs concerning the outlawing of atomic weapons was justified because atomic weapons are weapons of aggression. He stated flatly that the Atomic Energy Commission had not made the slightest progress toward the fulfillment of the tasks assigned in its terms of reference. He pointed out that the Soviet Union had exerted a strenuous effort to achieve an acceptable system for the international control of atomic energy. In addition to pressing a proposal for the conclusion of a convention to outlaw atomic weapons and other weapons of mass destruction, the Soviet Union had submitted a proposal for the international control of atomic energy. According to Mr. Vishinsky, the reason that the Soviet proposals had not met with success was that the United States, believing it could continue to exercise a monopoly in atomic weapons, resisted all attempts to dismantle existing bombs and to outlaw their production while at the same time it was increasing the production of bombs. Mr. Vishinsky concurred

in the general feeling that disagreement in the Commission had paralyzed efforts to fulfill successfully the tasks before the Commission. He contended that disagreement could have been eliminated in regard to the Soviet proposal on the destruction of atomic bomb stocks--a proposal agreed to in principle by the majority of the Commission--if the United States had not continued to object.

112. In regard to the question of inspection, Mr. Vishinsky pointed out that the United States had stressed the significance of inspection and that the Soviet Union considered it second only in importance to the outlawing of atomic weapons. But, he contended, the United States had changed its ground and minimized the significance of inspection by putting in the hands of the control agency such matters as ownership, management, and licencing. In arguing the Soviet proposals for inspection and for a convention to outlaw atomic weapons, Mr. Vishinsky used statements of certain private organizations of British scientists to support his arguments and to oppose the American position on ownership, management, and licencing. Mr. Vishinsky said that the Soviet Union stood for strict international control over atomic energy plants, but not a control that would interfere with those branches of national industry not connected with atomic energy. He believed that the inspection authorities should be limited in their rights to the aims of genuine control over atomic energy, and that the possibility of the control authorities arbitrarily intervening in any branches of national economy should be excluded. Such intervention, he added, could only undermine and destroy the national economy of any country. The American and some other delegations in the Commission, he said, insisted that the control authority, acting in the interests of the majority of that authority--on whose benevolent attitude the Soviet Union could count--should own and manage all plants manufacturing atomic materials in dangerous quantity. Mr. Vishinsky made it clear that the Soviet Union would oppose the domination of the control body by a single nation and that it would support the equality of all participants in all the activities of that body. In referring to the establishment of control, Mr. Vishinsky said that the United States proposed to postpone indefinitely the most dangerous final stages of atomic manufacture--stages in which the United States considers that it has a monopoly at the present time--while insisting that the control of the extraction of raw material be immediately introduced. This, he believed, indicated that control would not be extended to the United States while other countries would come under control immediately. Mr. Vishinsky concluded by saying that successful results cannot be expected when one nation has no intention to co-operate for the purpose of achieving the aims stated in the General Assembly Resolution of December 14, 1946.

Footnotes

1/ International Control of Atomic Energy: Growth of A Policy, Department of State Publication 2702, p. 133.

2/ A Report on the International Control of Atomic Energy, Department of State Publication 2498, p. II.

3/ Atomic Energy Commission Document AEC/P.V.13, Sept. 10, 1947.

4/ New York Times, June 19, 1947.

5/ United Nations Press Release CA/29, Sept. 9, 1947.

PROBLEM PAPER "D"

THE INTERNATIONAL CONTROL OF ATOMIC ENERGY

MEMORANDUM ON THE ISSUES AND ALTERNATIVES

1. In taking the initial steps toward the international control of atomic energy there was apparent harmony among the major nations on the general objectives of the program. Immediately on the meeting of the Atomic Energy Commission, however, the differences in viewpoint in regard to the means and extent of control became evident. These were indicated in the First Report of the Atomic Energy Commission, which was supported by ten members of the Commission, but failed to gain the support of the Soviet Union and Poland.

2. The debates in the General Assembly and the Security Council concerning the problems of control of atomic energy served to accentuate the differences in viewpoint, particularly between the United States and the Soviet Union. These debates also clouded the issue of control by bringing into the discussion the related problems concerning the peace treaties, the regulation and reduction of conventional armaments, and the establishment of military forces to be made available to the Security Council. Action of the Security Council, however, separated the atomic energy problem from the others so that deliberations within the Atomic Energy Commission are limited to the scope of its terms of reference.

3. Solution of the problem of the international control of atomic energy in accordance with the principles established in the terms of reference of the Commission as interpreted in the First Report, is of vital importance to the United States, and is urgent. It should be appreciated that agreement in the Atomic Energy Commission on a system for the international control of atomic energy is only the first step toward the implementation of international control. The agreement reached in the Commission must be drafted into a convention or conventions that will be acceptable to the Security Council and the General Assembly. Before they can become effective, the instruments must be ratified by the participating states. Until this process is complete, there will be no international control of atomic energy, and all nations will be free to pursue atomic research, development, production, and application without restriction. Under these circumstances the United States will be in no danger of attack with atomic weapons until some nation has acquired the knowledge and facilities to produce these weapons, but when this occurs, no security against such attack will exist. According to some atomic scientists, the period of security against atomic weapon attack may end as soon as three years from the present time. During this period, sole possession of atomic weapons by the United States may have some effect in preventing aggressive action against the interests of the United States. If the major nations do not compose their differences in other fields of international controversy, however, the additional distrust inspired by failure to agree on a system of atomic energy control may induce an atomic armament race with all of its dire consequences.

4. At the present time, the Atomic Energy Commission is the only agency charged with a solution to the problem of the international control of atomic energy. This does not mean, however, that the international control of atomic energy is an isolated problem. On the contrary, the deliberations of the Commission reflect the many serious and involved problems now in controversy between the United States, the Soviet Union, and other western nations. This is evident from the Soviet arguments that through the support of principles of the First Report the United States is attempting to establish a monopoly in the production and use of atomic energy and to destroy the sovereignty of other nations. The United States must therefore consider the problems of atomic energy control, not in isolation but in relation to the other matters in controversy between it and the other major nations.

5. The objective of the United States must also be considered. In initiating measures for the international control of atomic energy and in offering to sacrifice its present advantage in the field of atomic energy, the objective of the United States is to eliminate atomic weapons from national armaments and to provide for the control of atomic energy for peaceful purposes under adequate safeguards. No agreement that fails to fulfill this objective can be acceptable.

6. Since the meetings of the Atomic Energy Commission were resumed in March 1947, there has been progress to the extent that issues have been clarified and some problems of control have been examined and their difficulties better understood. No attempt has been made to bring into the discussion the question of weapons of mass destruction other than atomic weapons. The basic issues that were developed before the meetings were resumed still remain unsolved. This situation results from the failure of the Soviet Union to acquiesce in the views of the majority of the Commission as expressed in the approval of the First Report by a vote of 10-0. With dogged persistence, the Soviet Union, backed by Poland, still insists that the Commission accept the Soviet proposals that long since failed to gain the support of the other delegations. Since the Commission, proceeding under a directive of the Security Council, is developing the details of a system of international control of atomic energy based on the principles established by the First Report, reversion to the consideration of principles already discarded is difficult.

7. The basic issues still concern (1) the relationship of the prohibition of manufacture and use of atomic weapons to the safeguards necessary to protect states complying with an international agreement from the hazards of violations and evasions; (2) the character of the system of international control; and (3) the measures required to ensure that wilful violators of an international agreement may not escape punishment.

8. Each of these three issues has been brought into the discussion of the Commission and its committees through the consideration of the twelve Soviet amendments, the Soviet proposals of June 11, 1947, and the plan of work approved by the Commission for Committee 2, entitled "Summary of Principal Subjects to be Incorporated in Specific Proposals for the International Control of Atomic Energy." The three issues are so interrelated that until detailed study of all the items in the "Summary

of Principal Subjects" has been completed it is unlikely that final decision will be reached on any of them. This point is made clear in the Second Report of the Commission.

A. THE PROHIBITION OF ATOMIC WEAPONS

9. The term "prohibition of atomic weapons" is the one generally used to include the prohibition of production, use, and stockpiling of atomic weapons, and the destruction or disposal of completed or partially completed atomic weapons. The status of the deliberations in the Commission concerning the prohibition of atomic weapons and the relation of prohibition to measures for the international control of atomic energy, requires that the United States give further consideration to the provisions that should be incorporated in the international agreements regarding these matters. Its conclusions should be transmitted to the United States representative in the Atomic Energy Commission for his guidance.

10. The issue may be stated as follows:

> What instructions should be given to the United States representative in the Atomic Energy Commission in regard to the prohibition of atomic weapons and the relationship of prohibition to measures for the international control of atomic energy?

11. In considering the alternative courses of action on this question from the viewpoint of the United States, it should be remembered at the outset of discussion of the problem of international control of atomic energy, that the United States indicated its willingness to sacrifice its present advantage as sole possessor of atomic weapons and to agree to prohibition only upon the condition that control would provide adequate and effective safeguards against the production and use of atomic weapons by other nations. The United States, as one of a majority of the Commission, does not believe that the Soviet proposals provide this security. Nevertheless, since the Soviet proposals are before the Commission, the alternatives must be formulated and considered on the basis of the opposing views.

12. The first alternative may be stated as follows:

> To continue to support the plan for the prohibition of atomic weapons and the relationship of prohibition to measures for the international control of atomic energy contained in the First Report of the Atomic Energy Commission.

13. The First Report recommends a single treaty that will provide simultaneously for the prohibition of atomic weapons and for a system of international control. It also provides that the various measures involved in the prohibition of atomic weapons should become effective through a transitional process and over a period of time, this process to be set forth in the treaty and supervised by the Atomic Energy Commission so that the transition would be as rapid as possible and assure safety to all. Since Committee 2 of the Commission has not undertaken an examination of the stages of transition from national to predominantly international control

of atomic energy as called for in its plan of work, the details of this arrangement have not been worked out.

14. If this alternative is adopted there will be no change in the existing situation in the Commission. The alternative provides, however, for a solution of the issue that will meet the objective of the United States, one that is practical, and one that will protect the security interests of the nation.

15. The second alternative may be stated as follows:

> To accept the Soviet proposals for one convention on the prohibition of atomic weapons and a second convention, based upon the first, for a system of international control of atomic energy.

16. The original proposals of the Soviet Union called for the conclusion of a convention that would prohibit the production, storage, and use of atomic weapons; the destruction of existing atomic weapons within three months from the effective date of the convention; and the punishment of violations of the convention through provisions of domestic law to be enacted by each individual state. The terms of the General Assembly resolution of December 14, 1946, have altered this position, and the Soviet Union now favors the conclusion of a second convention in addition to the proposed agreement on "prohibition." The second convention would establish an international control organ within the framework of the Security Council. The later Soviet proposals of June 11, 1947, provide that the second convention will be based upon certain provisions contained in the first convention on prohibition. The effect of the Soviet scheme as it now stands is that a convention prohibiting the production, stockpiling, and use of atomic weapons, and requiring the destruction of such weapons would be completed and ratified before a convention for the international control of atomic energy could authoritatively be drafted. Since the second convention might never be agreed upon, the prohibiting convention might be left to stand alone. The Soviet scheme would therefore not conform with the provisions approved in the First Report. This report expressed the view that a single convention on prohibition would not ensure the use of atomic energy for peaceful purposes only, nor would it provide for effective safeguards to protect complying states against the hazards of violations or evasions.

17. If this alternative is adopted the resulting action in the Atomic Energy Commission would not meet the objective of the United States. The effectiveness of prohibition as provided for in the Soviet plan would depend entirely upon the good faith of the nations concerned. International security therefore might be jeopardized.

18. A third alternative, a compromise between the first and second may be stated as follows:

> To accept the Soviet proposals for one convention on prohibition and a second convention on a system of control, provided the two conventions become effective simultaneously.

This alternative was raised by one of the questions propounded by the British representative in the Commission concerning the Soviet proposals of June 11, 1947. The Soviet reply was vague, but it indicated that this alternative would not be acceptable to the Soviet Union. The alternative differs little in final effect from the first alternative, but it might have a better chance of acceptance by the Soviet Union.

19. No other plans concerning the processes by which prohibition may be accomplished have been introduced in the Atomic Energy Commission. It is possible, however, that when the Commission reaches consideration of the transitional process and the question of "disposal" or "destruction" of atomic bombs raised by the eighth Soviet amendment to the First Report, some acceptable solution of the prohibition problems may be developed.

B. THE FUNCTIONS OF THE INTERNATIONAL CONTROL AGENCY

20. The term "international control agency" is used in the Second Report to indicate the organ designated to operate an international system for the control of atomic energy.

21. The specific proposals so far worked out by the Atomic Energy Commission in accordance with the principles of the First Report are set forth in detail in Part III of the Second Report. The plan of work of Committee 2, as outlined in paragraph "B" of the "Summary of Principal Subjects" in Part I of the Second Report, indicates the detailed study of specific proposals yet to be undertaken. The system of international control of atomic energy contemplated by the majority of the Commission will provide the international agency with positive functions in respect to ownership, operation and management, inspection, and research.

22. The Soviet Union objects to the principles of the First Report and the specific proposals favored by the majority of the Commission on the general grounds that they are not in accord with the established principles of the United Nations; that they provide for a position of monoply for the United States in the field of atomic energy; that they are unnecessary to the control of atomic energy for peaceful purposes; and that they interfere with the sovereignty of states, especially the smaller ones. The Soviet Union objects to the principles and specific proposals concerning research and development in that they permit research and development in atomic weapons by the agency and limit national and private research to those that may be conducted with nondangerous quantities of nuclear fuel or radioactive isotopes. In regard to the mining of ores, the processing and purification of source material, the stockpiling, production, and distribution of nuclear fuels, and the design, construction and operation of isotope separation plants and nuclear reactors, the Soviet Union strongly opposes ownership, management, and operation by the agency. The one proposal that the Soviet Union does appear to favor, but not in its present relationship to other matters, is that the agency shall assign quotas to nations for the production of source material in accordance with principles to be established by treaty. The Soviet Union, while agreeing with the general principle of inspection, objects on many detailed grounds to the specific proposals for inspection, surveys, and explorations by the agency.

23. The differences occurring in the Commission concerning the functions of the international control agency lead to a statement of the issue facing the United States as follows:

> What instructions should be given to the United States representative in the Atomic Energy Commission in regard to the scope and functions of the international control agency?

24. The first alternative, obvious from the preceding discussion, is:

> To continue to support a plan for an international control agency possessing positive functions in respect to ownership, operation and management, inspection and research as set forth in principle in the First Report and elaborated in the Second Report.

This alternative will meet the objective of the United States provided the plan forms a part of a treaty providing for prohibition of atomic weapons or is the subject of a separate convention that will become effective simultaneously with a prohibiting convention. The plan will require a highly effective organization of the international control agency--a matter which has not been studied by the Commission--and an efficient and loyal personnel. It is considered that the plan contemplated in this alternative is a practical though difficult one, and one that will not interfere with national affairs to an extent that would be unacceptable. It is believed that the plan presented in this alternative would compensate for the sacrifice by the United States of its present position of superiority in the atomic energy field. This alternative does not change the existing situation in the Atomic Energy Commission, but it is possible that its adoption, leading to the continued study of the application of the plan, may eventually result in Soviet concurrence.

25. The second alternative arises from the position adopted by the Soviet Union in the Atomic Energy Commission and is stated as follows:

> To accept the plan proposed by the Soviet Union for an international control agency whose functions would be based on inspection of national facilities and whose authority would be limited to recommendations to the nations concerned and to the Security Council.

26. The Soviet proposals of June 11, 1947, provide for a system of international inspection and national management of atomic facilities as opposed to a system of international management and inspection of the production and use of atomic energy favored by the majority of the Commission. The Soviet proposals provide for "strict international control" to be established simultaneously over all mining and production facilities rather than by a step by step process commencing with the production of source materials. Under the Soviet plan the international control agency would periodically inspect mines and facilities; investigate activities in mining and production; study production operations to the extent necessary to control; conduct special investigations in cases of suspicion of

violation of the prohibiting convention; make recommendations to governments regarding atomic energy; and recommend to the Security Council on matters of prevention and suppression in respect to violators of the prohibiting convention. The agency would have the right of access to all atomic energy activities and the right to an acquaintance with production operations as necessary to control; to request data from governments; to request explanations on questions relating to activities; to recommend and to make presentations to governments on atomic energy matters; and to recommend to the Security Council on matters involving violation of the prohibiting convention. In regard to research, the Soviet proposals provide that research must comply with the necessity for carrying out the provisions of the prohibiting convention; that nations must have the right to carry out unrestricted research for the peaceful use of atomic energy; and that the agency must have the same research rights as nations.

27. The United States, and the majority of the Commission, are opposed to the Soviet proposals in many particulars. The Soviet proposals do not provde for control by the agency of research and development activities of a dangerous character, and do not permit the agency to conduct research in atomic weapons. In regard to mining of ores, the Soviet proposals would leave large quantities of source materials in the hands of nations, not recognizing the basic principle that only the control agency will use large quantities of these materials. They also fail to provide means for the agency to obtain and maintain accurate records of source materials--a matter essential to strict control. As concerns processing and purification, the Soviet proposals appear to apply no more control over the production of key substances than are applied to mining, and they make no provision for the ownership of plants by the agency or for the licensing of plants to nations or persons. No greater restrictions are provided for the stockpiling and production of nuclear fuel than are provided for the stockpiling and production of source material and key substances. Since nuclear fuel may be used in dangerous quantities in peaceful application and may be easily converted to atomic bombs, periodic inspection and verification, and the checking of stocks as contemplated in the Soviet plan does not constitute adequate control. The Soviet provisions for inspection appear to apply only to facilities which nations themselves report to the control agency. The inspection system fails to provide for searches to locate unreported mines of source material, or to detect clandestine mills, refineries, processing plants, nuclear reactors, or isotope separation plants. Beyond the specific objections to the Soviet proposals set forth above, the proposals are lacking in clarity in many particulars.

28. This alternative would not meet the objective of the United States, for the Soviet plan would not insure the use of atomic energy for peaceful purposes. The organization of the international control agency under this plan would be comparatively simple, but at best, it would be effective only for facilities declared by the nations concerned. Any advantage that might be gained in relation to other issues before the Atomic Energy Commission in a concession to the Soviet Union by the adoption of this alternative, would be offset by the threat to security that would be created.

29. It may be possible that as the discussions continue in the Atomic Energy Commission an entirely new approach to the solution of the

problem concerning the functions of the international control agency may be found. If such an approach provides a plan that will in all particulars accomplish the objective of the United States, it should be considered with a view to unanimous adoption by the Commission. No such new approach has yet been conceived, and in the opinion of the majority of the Commission, supported by the view of experts in the atomic energy field, the plan presented in the first alternative is the only feasible one that will prevent atomic warfare. Therefore, no alternative in this regard presents itself at this time.

C. MEASURES TO INSURE THAT WILFUL VIOLATORS OF THE TERMS OF A CONVENTION ON THE INTERNATIONAL CONTROL OF ATOMIC ENERGY WILL NOT ESCAPE PUNISHMENT

30. This issue is the issue of the "veto on sanctions." It arises only in connection with a treaty or convention establishing the functions of an international control agency, since a convention on prohibition only, as proposed by the Soviet Union, would carry no provisions for detecting violations and no provisions for international sanctions.

31. In the debate in the General Assembly on the establishment of organs to control atomic energy and to control the regulation of conventional armaments, Mr. Molotov indicated that the view of the Soviet Union was that the veto would not apply in the operation of the control organs. This view conforms with the provisions of the First Report that no government should have the power, by veto or otherwise, to obstruct the course of control or inspection. In the Atomic Energy Commission, this question was discussed by the Soviet representative on the basis that there would be no power of veto concerning the "day-to-day" functions of the control agency, but he failed to make the Soviet views clear in this regard.

32. The veto considered under this issue does not concern a veto power over the normal functions of the control agency. It relates to what is generally known as the "veto on sanctions", expressed in the words of the First Report as : "...there shall be no legal right, by veto or otherwise, whereby a wilful violator of the terms of a treaty or convention shall be protected from the consequences of violation of its terms."

33. This is the view of the United States and of the majority of the Commission. The United States representative in the Commission has persistently maintained that the United States would adhere strictly to its position of demanding the abolition of the veto on sanctions. On the other hand, the Soviet Union adamantly opposes the elimination of the veto on sanctions. It maintains that the principle of unanimity in the Security Council is applicable to all questions of substance having relation to the maintenance of international peace and security. It insists, therefore, that this principle is applicable to questions resulting from the international control of atomic energy which may relate to the maintenance of peace and security. It points out, moreover, that the international control agency is to be established within the framework of the Security Council.

34. The disagreement in the Atomic Energy Commission and the fact that the Commission has not yet considered the item on prohibitions and enforcements in its "Summary of Principal Subjects," compels the United States to consider this issue:

> What instructions should be given to the United States representative in the Atomic Energy Commission in order to ensure that there shall be no legal right, by veto or otherwise, whereby a wilful violator of the terms of a convention on the international control of atomic energy may be protected from the consequences of violation of its terms?

The significance of the term "otherwise" as used in this statement of the issue and in the quotation from the First Report has not yet been clarified in the Atomic Energy Commission.

35. The alternatives under this issue should be considered in the light of the present situation regarding the veto power generally and the "right of self-defense" as set forth in the United Nations Charter. The misuse by the Soviet Union of the veto power in the Security Council and the position of the United States as indicated by Secretary Marshall in his address before the General Assembly on September 17, 1947, indicate the great importance of this question. As to the right of self-defense, the First Report points out that violations of a control convention might be so grave as to give rise to the inherent right of self-defense recognized in Article 51 of the Charter. It should be pointed out that under the Charter the "inherent right of self-defense" cannot be invoked except in case of "armed attack," that is to say, only in the event of an actual use of atomic weapons.

36. In the debate on this issue in the Commission the Soviet Union bases its arguments on the assumption that sanctions for violations of the convention will be invoked by the Security Council since the control agency is to be established within the framework of that body. The majority of the Commission, however, has avoided a commitment on this matter, laying stress upon the provisions of the General Assembly resolution of December 14, 1946, that the agency will derive its powers and status from the convention under which it is established.

37. The first alternative, arising from the United States viewpoint is stated as follows:

> To continue to support the elimination of the veto on sanctions as set forth in the First Report.

38. It should be noted that the First Report does not indicate whether a nation violating the terms of a control convention, if represented in the control agency or the Security Council, would or would not be deprived of its vote when action against it is being determined. Moreover, the First Report does not indicate the number of votes required in the control agency or the Security Council to constitute the majority necessary to take action. These are matters on which the United States will have to take a position when further discussion develops in the Commission. The United States must also decide whether to support the system of voting in

the control agency or the Security Council as prescribed in Article 27 of the United Nations Charter, or some other system of voting as yet undetermined.

39. If the offending state is one of the three great nations, the elimination of the veto may require other participating states, by majority vote in the control agency or the Security Council, to provide armaments and armed forces necessary to take adequate coercive action even to the extent of employing their full military potential. The question arises whether or not the United States is willing to take such action upon a decision in the control agency or the Security Council with which it does not concur. The question also arises whether or not the United States would acquiesce in a decision taken against it in these circumstances. Therefore, if the Soviet Union accepts the terms of the First Report in regard to the elimination of the veto, the United States must be prepared to accept not only the possibility that its full military potential may be demanded in support of a decision in the control agency or the Security Council, but also the consequences of any decisions of these bodies against itself.

40. The adoption of the course presented in the first alternative would aid in the attainment of the United States objective. It would be effective in preventing one of the five permanent members in the Security Council from legally using the veto power to protect itself or some other nation from the hazards of violation or evasion. The choice of this alternative, however, would not alter the present condition of deadlock on this issue in the Commission.

41. The second alternative, arising from the Soviet position on the veto on sanctions, may be stated as follows:

> To accept the thesis that the principle of unanimity among the permanent members in the Security Council is applicable in regard to wilful violations of a convention for the international control of atomic energy.

Acceptance of this alternative would mean that one of the five permanent members of the Security Council could use its veto power to protect itself or any other offending nation from the consequences of a violation of the convention. It would also mean that collective coercive action against a great nation by decision of the Security Council could be effectively prevented. This alternative would not lead to the accomplishment of the United States objective nor provide for essential security, since nations capable of producing atomic weapons would be free from the threat of punishment for violations of their agreements.

42. There appears to be no third alternative to this issue by which the Atomic Energy Commission would be capable of solving the problem. Nevertheless, as the matters of punishments and enforcements are studied, some solution may develop. Since the general question of the veto is now under discussion in the General Assembly, it is possible that some new and fruitful approach to a solution of the problem in the Atomic Energy Commission may be indicated.

D. FAILURE OF AGREEMENT IN THE ATOMIC ENERGY COMMISSION

43. In addition to the three principal issues facing the Atomic Energy Commission, there is a broader issue, not within the cognizance of the Commission, that requires consideration by the United States government. It is evident from the previous discussion that owing to the strong opposition of the Soviet Union no agreement on the basis of the First Report is likely in the near future. It is equally evident, in view of the position already taken by a majority of the commission, that no early agreement on the basis of the Soviet proposals can be expected. In his address before the General Assembly on September 17, General Marshall pointed out the extent of the disagreement in the Atomic Energy Commission and stated that although the United States would continue its efforts to carry forward the work in the Commission along the lines of the majority views, the Commission itself, if the minority persisted in refusing to join with the majority, might soon be faced with the conclusion that it is unable to complete the task assigned to it.

44. If the Atomic Energy Commission reaches this conclusion and makes a report to this effect to the Security Council, it is probable that that body, as a matter of procedure, would refer the report to the General Assembly as the organ originating the Commission. Any further action on the report would then be the responsibility of the General Assembly and the United States would be limited to making recommendations to the Assembly or to supporting or opposing recommendations made by other nations. In the event the Commission makes such a report, the United States will be faced with the following problem:

> What instructions should be given to the United States representative in the General Assembly in regard to a report by the Atomic Energy Commission that it is unable to comply with its terms of reference laid down in the General Assembly resolution of January 24, 1946?

45. The alternative solutions to this issue should relate to new instructions that the Assembly might give to the Atomic Energy Commission. A change in the terms of reference of the Commission--the one agreement supported by all the nations--does not appear to be desirable. However, any proposals to the General Assembly by the United States representative on instructions to be given to the Atomic Energy Commission would be subject to amendment; and the final decision by the Assembly might be quite different from the desires of the United States. The instructions to the United States representative should therefore be in terms broad enough to permit him to collaborate with representatives of other nations of like views in the preparation of his recommendations.

46. In considering the alternatives, the United States should give great weight to the state of the relations existing between it and the Soviet Union at the time the decision has to be made. The degree of co-operation that the Soviet Union and its satellite states extend to the United States in its efforts to establish international peace and security will greatly affect the alternative selected. Moreover, the decision will be affected by the status of the numerous problems in controversy between

the Soviet Union and the United States and the other Western nations, and the nature of the Soviet propaganda campaign at the time.

47. The first alternative might be as follows:

> To recommend that the Atomic Energy Commission continue its deliberations in accordance with the existing terms of reference.

This alternative, if adopted by the United States and accepted by the Assembly, might result in continued deadlock in the Commission. However, after a thorough debate in the General Assembly on the issues before the Commission considerable progress might be possible. The advantages of this alternative become evident when it is realized that the control of atomic energy is a new problem, that even among the majority in the Commission there is not complete agreement or awareness of the extent, scope, and implications of the plans for control under consideration, and that all of the items in the plan of work of the Commission have not been examined. Although the adoption of this course by the Assembly might lead to international agreement, it might on the other hand, lead to acrimonious debate that would aggravate further the unsatisfactory nature of the relations between the United States and the Soviet Union.

48. The second alternative might be as follows:

> To recommend that specific instructions be given to the Atomic Energy Commission for the resolution of the issues before it.

This alternative if adopted would probably transfer from the Commission to the Assembly the debate on the issues before the Commission and might serve the purpose of impressing the minority in the Commission with the urgency and necessity of a solution of the problem of control of atomic energy on the basis of the First Report. Any specific instructions proposed by the United States, however, would be subject to alteration in the Assembly, with the possibility that a final resolution might seriously compromise features of the plan of the First Report that the United States considers essential to security.

49. The third alternative that might be chosen is:

> To recommend that deliberations in the Atomic Energy Commission be discontinued, or suspended until relations among the major nations indicate a prospect of agreement.

If this alternative is adopted and if the General Assembly should approve either discontinuance or suspension, the resulting situation would depend upon the attitude of the other contestants in the present controversy. Willing acquiescence in the Assembly action might give the contending nations an opportunity to consider more calmly the entire problem of atomic energy control on its merits. On the other hand, violent opposition might intensify the political differences existing not only in the atomic energy field, but in the other fields of international disagreement.

APPENDIX

LISTS OF SELECTED DOCUMENTS

The lists of documents in this Appendix follow the arrangement of headings in Parts III and IV and have been restricted to primary materials of an official nature. Limitations of space have made it necessary to choose only a few of the principal items for each problem in Part III. The lists for the problem papers in Part IV have in each case been confined to the references actually used in the preparation of the paper. In using the Study Guide it will be necessary to supplement these lists by referring to other documents.

There are a few official sources of documents that should generally be used. First and foremost of these is "The Department of State Bulletin," issued weekly, which is a basic source of official information on American foreign relations, and the Department of State also issues special books and pamphlets on various aspects of the subject. Official information on some phases of foreign economic matters is to be found in the "Foreign Commerce Weekly," issued by the Department of Commerce, and in "Foreign Agriculture," issued monthly by the Department of Agriculture. In so far as international organizations are concerned, the official "United Nations Weekly Bulletin" provides articles, summaries of debates, and other materials dealing with the activities of the United Nations and the specialized agencies.

There are several non-official collections of documents that include both primary and secondary materials. Among these are: "Documents on American Foreign Relations," published annually since 1938 by the World Peace Foundation; "International Conciliation," published monthly by the Carnegie Endowment for International Peace; the "American Journal of International Law," which contains a chronology of events and a "Supplement of Official Documents"; and "International Organization," a quarterly journal, which contains summaries of the activities of international organizations and reprints of the texts of official documents. Some of the great metropolitan daily newspapers frequently publish texts of official documents not otherwise easily obtained.

There are a number of other aids readily available to assist in providing references to both background and current materials. Each issue of "Foreign Affairs," published quarterly by the Council on Foreign Relations, contains a list of "Recent Books on International Relations." The Council has also published "Foreign Affairs Bibliography, 1932-1942," which is a useful guide for background material. Each issue of "International Organization" also contains bibliographical references to materials on international organizations. A collection of a special type is "International Relations, A Selection of Current Readings," published by the Massachusetts Institute of Technology.

DOCUMENT LIST FOR PART III

A. PROBLEMS OF THE PEACE SETTLEMENTS

Peace Settlement Negotiations

Making the Peace Treaties 1941-1947, Department of State Publication 2274, European Series 24, Washington, U.S. Government Printing Office, Feb. 1947.

Austria

Statement with Respect to the Status of Austria as a Liberated Country, Department of State Bulletin, Vol. XV (Nov. 10, 1946), pp. 864-865.

United States Proposals for a Peace Treaty with Austria and Germany, Department of State Bulletin, Vol. XV (Dec. 15, 1946), pp. 1082-1083.

United States Draft of the Political Clauses of the Austrian Peace Treaty, New York Times, March 19, 1947.

Speech by Secretary Marshall on the Moscow Conference of Foreign Ministers, Department of State Bulletin, Vol. XVI (May 11, 1947), pp. 919-924.

United States Position on a Treaty for the Establishment of an Independent and Democratic Austria, Department of State Bulletin, Vol. XVI (May 11, 1947), pp. 793-794.

Japan

The Axis in Defeat, Department of State Publication 2423, Washington, U.S. Government Printing Office, n.d.

Draft Treaty for the Disarmament and Demilitarization of Japan, Department of State Bulletin, Vol. XIV (June 30, 1946), pp. 113-114

Summary of General MacArthur's Comments on Japan, New York Times, March 18, 1947.

Report by the Secretary General on the Activities of the Far Eastern Commission, February 26, 1946-July 10, 1947, Far Eastern Commission Press Release No. 35, Washington, 1947.

Basic Post-Surrender Policy for Japan, Department of State Bulletin, Vol. XVII (Aug. 3, 1947), pp. 216-222.

Aide-Memoire to the Soviet Union on the Eleven Power Conference on the Japanese Peace Treaty, Department of State Bulletin, Vol. XVII (Aug. 24, 1947), pp. 395-396.

The Constitution of Japan, Department of State Publication 2836, Far Eastern Series 22, Washington, U.S. Government Printing Office, 1947.

Korea

United States Policy for a Unified Government in Southern Korea, Department of State Bulletin, Vol. XVI (Jan. 19, 1947), pp. 128-129.

Exchange of Notes between the United States and the Soviet Union, Department of State Bulletin, Vol. XIII (Nov. 18, 1945), pp. 812-813; Vol. XVI (Jan. 26, 1947), pp. 168-173; Vol. XVI (April 20, 1947), pp. 716-717; Vol. XVI (May 11, 1947), p. 947; Vol. XVI (May 18, 1947), pp. 995-996; Vol. XVI (June 22, 1947), pp. 1247-1249; Vol. XVII (Aug. 10, 1947), pp. 294-297; Vol. XVII (Aug. 24, 1947), pp. 398-399; Vol. XVII (Sept. 7, 1947), pp. 473-476; Vol. XVII (Sept. 28, 1947) pp. 623-624.

Speech of Secretary Marshall in the General Assembly, Department of State Bulletin, Vol. XVII (Sept. 28, 1947), pp. 618-622.

Implementation of Peace Treaties

Italian Treaty

Treaties of Peace with Italy, Bulgaria, Hungary, Rumania, and Finland, Department of State Publication 2743, European Series 21, Washington, U.S. Government Printing Office, 1947.

Message from the President of the United States transmitting Copies of the Treaties of Peace with Italy, Rumania, Bulgaria, and Hungary, 80th Congress, 1st Session, Executives F,G,H,I, Washington, n.d.

Hearings before the Senate Foreign Relations Committee on the Treaties of Peace with Italy, Rumania, Bulgaria, and Hungary, 80th Congress, 1st Session, Washington, U.S. Government Printing Office, 1947.

Financial Agreement for Trieste, New York Times, April 23, 1947.

Danubian Regime

Remarks by Senator Vandenberg on the General Principles for a Free International Danube, Department of State Bulletin, Vol. XV (Oct. 13, 1946), pp. 656-657.

Draft Resolution on International Traffic on the Danube River submitted to the United Nations Economic and Social Council by the United States Delegation, Department of State Bulletin, Vol. XV (Oct. 13, 1946), p. 658.

Remarks by Senator Vandenberg on the Economic Clauses of the Rumanian Treaty, Department of State Bulletin, Vol. XV (Oct. 20, 1946), pp. 711-713.

B. ECONOMIC AND SOCIAL PROBLEMS

Reconstruction and Development

See the Document List for Problem Paper "B"--American Assistance to Europe.

Commercial Policy

Principles of the International Trade Organization

Proposals for the Expansion of World Trade and Employment, Department of State Publication 2411, Washington, U.S. Government Printing Office, 1946.

American Trade Proposals, Department of State Publication 2551, Commercial Policy Series 88, Washington, U.S. Government Printing Office, 1946.

Suggested Charter for An International Trade Organization of the United Nations, Department of State Publication 2598, Commercial Policy Series 93, Washington, U.S. Government Printing Office, 1946.

Preliminary Draft for the International Trade Organization of the United Nations, Department of State Publication 2728, Commercial Policy Series 98, Washington, U.S. Government Printing Office, 1947.

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Draft Charter for the International Trade Organization of the United Nations, Department of State Publication 2927, Commercial Policy Series 106, Washington, U.S. Government Printing Office, 1947.

Hearings before the Senate Finance Committee on Trade Agreements System and the Proposed International Trade Organization, 80th Congress, 1st Session, Washington, U.S. Government Printing Office, 1947, Part 1, Part 2, pp. 677-1378.

Hearings before the House of Representatives Ways and Means Committee on Operation of the Trade Agreements Act and the Proposed International Trade Organization, 80th Congress, 1st Session, Washington, U.S. Government Printing Office, 1947.

Trade Agreements Technique

Message from the President of the United States to Congress recommending the Renewal of the Trade Agreements Act, Department of State Publication 2294, Commercial Policy Series 76, Washington, U.S. Government Printing Office, 1945.

Correspondence between Senator Butler and Under Secretary Clayton concerning Negotiations under the Reciprocal Trade Agreements Act, The Department of State Bulletin, Vol. XVI (Jan. 26, 1947), pp. 161-163.

Letter from Under Secretary Clayton to Representative Cooley on the Wool Import Duty, The Department of State Bulletin, Vol. XVI (June 1, 1947), pp. 1084-1085.

International Organization in the Field of Services

Speech by Garrison Norton on Promotion of World Understanding through Transport and Communications, The Department of State Bulletin, Vol. XVI (June 22, 1947), pp. 1241-1246.

Merchant Shipping

Hearings before the House of Representatives Merchant Shipping and Fisheries Committee on Continuation of the Maritime Commission's Authority after July 1, 1947, 80th Congress, 1st Session, Washington, U.S. Government Printing Office, 1947.

Civil Aviation

Message from the President of the United States transmitting to Congress the Convention on Civil Aviation, Executive A, 79th Congress, 1st Session, Washington, U.S. Government Printing Office, 1946.

Convention on International Civil Aviation, The Department of State Bulletin, Vol. XVI (March 23, 1947), pp. 530 ff.

Statement by the Secretary of State on the First Meeting of the Assembly of the International Civil Aviation Organization, The Department of State Bulletin, Vol. XVI (June 8, 1947), p. 1110.

Social Policy

Speech by Otis E. Mullikan on The Foreign Social Policy of the United States, The Department of State Bulletin, Vol. XV (Dec. 1, 1946), pp. 1011-1020.

The Economic and Social Council of the United Nations, Report to the Secretary of State by the Honorable John G. Winant, United States Representative on the Council, July 15, 1946, Department of State Publication 2600, United States-United Nations Report Series 3, Washington, U.S. Government Printing Office, 1946.

Toward World Economic and Social Advance, Fourth Session of the Economic and Social Council, February 28-March 29, 1947, Department of State Publication 2811, United States-United Nations Information Series 17, Washington, U.S. Government Printing Office, 1947.

Representation of Labor Groups in International Organizations

General Assembly Discussion on Representation of the World Federation of Trade Unions, Journal of the United Nations, First Session, Second Part, Nos. 44, 65.

United Nations Educational, Scientific, and Cultural Organization

Hearings before the House of Representatives Committee on Foreign Affairs on HJ Res. 305 (Providing for Membership and Participation of the United States in UNESCO), 79th Congress, 2nd Session, Washington, U.S. Government Printing Office, 1946.

United States National Commission for UNESCO: Report on the First Meeting, September 1946, Department of State Publication 2726, United States-United Nations Information Series 14, Washington, U.S. Government Printing Office, 1947.

Displaced Persons

Constitution of the International Refugee Organization, United Nations Document A/284, January 14, 1947. See also International Organization, Vol. I (Sept. 1947), pp. 577-590.

Message of President Truman to Congress Advocating Legislation to Admit Displaced Persons into the United States, The Department of State Bulletin, Vol. XVII (July 20, 1947), pp. 137-138.

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C. POLITICAL PROBLEMS

Political Independence and Free Institutions

France

Draft Constitution adopted by the French Assembly, New York Times, Oct. 1, 1946.

Excerpts from the Monnet Plan, French Press and Information Service, Nos. 674, 679, 683, 685, 689, 694, 699, 701, French Press and Information Service, 501 Madison Avenue, New York 22, New York.

Italy

Statement by Secretary Byrnes on the Italian Elections, Department of State Bulletin, Vol. XIV (Feb. 24, 1946), p. 299.

Statement of Premier de Gasperi before leaving the United States, New York Times, Jan. 16, 1947.

United States and Italy, 1936-1946: Documentary Record, Department of State Publication 2669, European Series 17, Washington, U.S. Government Printing Office, 1946.

Greece

Security Council Discussion of the Greek Question, Journal of the Security Council: First Year, Nos. 7,8,10; Official Records of the Security Council: First Year, Second Series, Nos. 6-16, 24-38; Second Year, Nos. 10,30. (Official records of subsequent meetings are as yet unpublished.)

Recommendations of President Truman to Congress on Greece and Turkey, Department of State Bulletin, Vol. XVI (March 23, 1947), pp. 534-547.

Hearings before the Senate Foreign Relations Committee on Aid to Greece and Turkey, 80th Congress, 1st Session, Washington, U.S. Government Printing Office, 1947.

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Report to Accompany S 938 (A Bill to Provide Assistance to Greece and Turkey), Senate Report No. 90, 80th Congress, 1st Session, Washington, U.S. Government Printing Office, 1947.

Report to Accompany HR 2616 (A Bill to Provide Assistance to Greece and Turkey), House of Representatives Report No. 314, 80th Congress, 1st Session, Washington, U.S. Government Printing Office, 1947.

Statement by Andrei Gromyko on the United States Plan to Aid Greece and Turkey, New York Times, April 9, 1947.

Aid to Greece and Turkey: A Collection of State Papers, Supplement to Department of State Bulletin, Vol. XVI (May 4, 1947).

An Act to Provide for Assistance to Greece and Turkey, Department of State Bulletin, Vol. XVI (June 1, 1947), pp. 1071-1073.

Notes Exchanged between the United States and Greece on the Rehabilitation Program, Department of State Bulletin, Vol. XVI (June 29, 1947), pp. 1298-1302.

United States Proposal on the Greek Question, Department of State Bulletin, Vol. XVII (July 6, 1947), pp. 24-25.

Conclusions and Proposals of the Commission of Investigation, "The United Nations and the Problem of Greece", Department of State Publication 2909, Near Eastern Series 9, Washington, U.S. Government Printing Office, September 1947, pp. 52-77.

Soviet Resolution and Gromyko's Remarks in the Security Council, New York Times, July 9, 1947.

United States Resolution on the Balkans, Department of State Bulletin, Vol. XVII (Oct. 5, 1947), pp. 672-673.

Turkey

Convention regarding the Regime of the Straits, signed at Montreux, July 20, 1936, Department of State Bulletin, Vol. XV (Nov. 3, 1946), pp. 803-807.

Exchange of Notes between the United States and the Soviet Union on the Question of the Straits, Department of State Bulletin, Vol. XV (Sept. 1, 1946), pp. 420-422; Vol. XV (Oct. 20, 1946), p. 722.

Turkish Aid Agreement, Department of State Bulletin, Vol. XVII (July 20, 1947), pp. 145-146.

See also the section on *Greece*.

States within the Soviet Orbit

Protocol of the Proceedings of the Crimea Conference, New York Times, March 25, 1947.

Protocol of the Proceedings of the Berlin Conference, New York Times, March 25, 1947.

Soviet-Anglo-American Communiqué issued after the Moscow Conference of Foreign Ministers, December 27, 1945, Department of State Publication 2448, Conference Series 79, Washington, U.S. Government Printing Office, 1946.

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Statements by the United States on the Polish Elections, Department of State Bulletin, Vol. XV (Sept. 1, 1946), pp. 422-423; Vol. XVI (Jan. 19, 1947), pp. 133-136; Vol. XVI (Jan. 26, 1947), p. 164; Vol. XVI (Feb. 9, 1947), p. 251.

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p. 967; Vol. XV (Dec. 8, 1946), pp. 1057-1058; Vol. XVII (July 6, 1947), p. 38; Vol. XVII (Aug. 17, 1947), pp. 329-330.

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Security Council Discussions of the Soviet-Iranian Dispute, Journal of the Security Council: First Year, Nos. 4-6, 19-24, 26, 27, 30, 33, 36.

United States Notes to Soviet Union on Iran, The Department of State Bulletin, Vol. XIV (March 17, 1946), pp. 435-436.

Notes on the Soviet-Iranian Oil Accord, New York Times, April 8, 1946.

Spain

Security Council Discussion of the Spanish Case, Journal of the Security Council: First Year, Nos. 28, 29, 31, 32, 37-42. For excerpts of the Proceedings recorded in Journals Nos. 28, 29, 31 see also New York Times, April 17, 18, 26, 1946 respectively. For excerpts of the Proceedings recorded in Journals 31 and 32 see also Department of State Bulletin, Vol. XIV, No. 358 (May 12, 1946), pp. 788-796.

Report of the Sub-committee on the Spanish Question, United Nations Security Council Official Records, June 1946, 103 pp. For text of the Report see also New York Times, June 2, 1946.

Spanish Note to the United States in "Connally Charge Is Denied by Spain", New York Times, Dec. 4, 1946.

Resolution on Relations between Franco Spain and the United Nations, Department of State Bulletin, Vol. XV (Dec. 22, 1946), p. 1143. For American Draft of the Resolution see Department of State Bulletin, Vol. XV (Dec. 5, 1946), p. 1085.

General Assembly Discussion of the Spanish Case, Journal of the United Nations, First Session, Second Part, Nos. 49-51, 56, 59, 60.

Law for the Succession of the Chief of State in "Franco Creates Regency to Name Royal Successor upon his Death", New York Times, April 1, 1947.

South Africa-India Controversy

Protest by the Government of India over the Treatment of the Indians in South Africa, Department of State Bulletin, Vol. XV (Aug. 11, 1946), p. 255.

General Assembly Discussion of the Treatment of the Indians in South Africa, Journal of the United Nations, First Session, Second Part, Nos. 40, 44, 46, 47, 48, 54, 55.

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Report of the Commission on Human Rights to the Economic and Social Council, Economic and Social Council Document E/259, Feb. 11, 1947

United States Proposals Regarding An International Bill of Rights, The Department of State Bulletin, Vol. XVI (Feb. 16, 1947), pp. 277-278.

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Treatment of Non-Self-Governing Peoples

Indonesia

Draft Agreement between the Netherlands and Indonesia, New York Times, Nov. 19, 1946.

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Statement of the United States on Anglo-American Consultation with Arab Leaders, The Department of State Bulletin, Vol. XIV, (June 2, 1946), pp. 956-957.

Excerpts from the Debate on Palestine in the House of Commons, July 31 and August 1, 1946, British Speeches of the Day, Aug. 1946, pp. 505-534.

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Discussion of the Incorporation of Southwest Africa into the Union of South Africa, Journal of the United Nations, First Session, Second Part, Nos. 23, 25, 27, 33, 34, 55, 60, 63.

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Egyptian Petition to the United Nations, New York Times, July 12, 1947.

Brazilian and Colombian Resolutions on the Egyptian Question, New York Times, Aug. 29, 1947.

D. SECURITY PROBLEMS

Organization of a System of Collective Security

Modification of the Veto Provisions

Statement by the Delegations of the Four Sponsoring Governments on the Voting Procedure in the Security Council, The Department of State Bulletin, Vol. XIV (May 11, 1946), pp. 851-853.

Discussions on the Modification of the Voting Procedure in the Security Council, Journal of the United Nations, Nos. 20, 32, 34-37, 48, 55, 58, 61.

Speech by Secretary Marshall in the General Assembly, The Department of State Bulletin, Vol. XVII (Sept. 28, 1947), pp. 618-622.

Establishment of an Interim Committee of the General Assembly

Speech by Secretary Marshall in the General Assembly, The Department of State Bulletin, Vol. XVII (Sept. 28, 1947), pp. 618-622.

United States Draft Resolution on the Establishment of An Interim Committee of the General Assembly, The Department of State Bulletin, Vol. XVII (Oct. 5, 1947), pp. 671-672.

Organization of Forces Made Available to the Security Council

Statement by Herschel V. Johnson on the Report of the Military Staff Committee, United States Mission to the United Nations Press Release No. 190, June 4, 1947.

Provisional Estimates on Over-All Strength of the Proposed United Nations Police Force, New York Times, July 1, 1947.

Report of the Military Staff Committee,"Arming the United Nations", Supplement to The Department of State Bulletin, Vol. XVII (Aug. 3, 1947), pp. 249-273.

International Control of Atomic Energy and the Reduction of Armaments

See the Document List for PROBLEM PAPER "D" - THE INTERNATIONAL CONTROL OF ATOMIC ENERGY.

Regional Problems

Inter-American System

Inter-American Conference on Problems of War and Peace: Report submitted to the Governing Board of the Pan American Union by the Director General, Washington, Pan American Union, 1945.

Inter-American Treaty on Reciprocal Assistance, The Department of State Bulletin, Vol. XVII (Sept. 21, 1947), pp. 565-572.

Draft of An Inter-American Peace System, formulated by the Inter-American Juridical Committee, Washington, Pan American Union, 1945.

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Project of Organic Pact of the Inter-American System, Washington, Pan American Union, 1946.

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Other Aspects of United States Military Security

Technical Military Collaboration

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HJ Res 137 (requesting that Negotiations Be Entered into for the Acquisition of Certain Islands in the Atlantic and Pacific and the Caribbean Sea), 80th Congress, 1st Session, Washington, U.S, Government Printing Office, 1947.

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Anglo-Soviet-American Communiqué on the Moscow Conference, The Department of State Bulletin, Vol. IX (Nov. 6, 1943), pp. 307-308.

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Declaration on German Atrocities, The Department of State Bulletin, Vol. IX (Nov. 6, 1943), p. 310.

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Prepared by the Staff of the
International Studies Group of
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